

NEWS: EUROPE

Gillette rejects rescue offer

By David White in Madrid

Gillette, the US consumer products group at the centre of a row over plans to transfer production from Spain, yesterday insisted it would go ahead with plans to close the Spanish factory.

The Socialist regional government of Andalusia said it had offered to finance the investment required to maintain the razor-blade plant at Alcala de Guadaira near Seville, but the US company had refused the offer.

Mr Francisco Oliva, chief regional employment official, said the Andalusian authorities would ask the European Commission to investigate Gillette's plan to move production to plants in Berlin and Isleworth, west London.

After separate meetings yesterday with Gillette management and employees at the factory, he said the company was under an obligation to try to reach an agreement with its workforce and if it failed to do so might be liable to penalties.

Spanish officials claim that the Spanish subsidiary, which made a pre-tax profit of Ptas700m (Stm) last year, does not meet the legal criteria in Spain for justifying collective redundancy.

No further meetings between the company and local authorities have been scheduled.

The Boston-based group said its decision to close the Spanish operation, which employs just under 250, was part of a plan announced earlier this year to reduce excess manufacturing capacity, which was the result of improved manufacturing facilities. The restructuring is due to affect 2,000 jobs worldwide, mostly outside the US.

The UK and German plants had been "integrated into facility upgrading", but the Spanish plant had older technology and was still geared to making fixed-blade razors.

"Berlin and Isleworth can take care of western Europe very nicely," a Gillette spokesman said.

The company denied it was engaged in "social dumping" by shipping production to Russia, Poland and China, where wages were much lower. Its ventures in these countries were unconnected with the European market.

Bonn and Paris plan EU ostpolitik

By Quentin Peel

Germany and France will launch a joint initiative to develop a common European "ostpolitik" during their consecutive presidencies of the European Union in 1994 and 1995, Mr Klaus Kinkel, German foreign minister, said last night.

The two governments have agreed to co-ordinate their EU policies for the year from July 1, and the strategy towards central and eastern Europe is top of the German agenda.

Mr Kinkel spelled out details in an important statement of Bonn's European strategy to the French institute for international relations in Paris.

His five-point programme for an EU ostpolitik would put opening of the west European market as its highest priority, combined with maximum involvement of the associated states in central and eastern Europe in the EU's common foreign and security policy.

While he spelled out support for Russia as a key element of any policy, he stressed the need for a coherent EU policy towards Ukraine, including efforts to defuse tension between Kiev and Moscow.

"The economic crisis [in Ukraine] and the tensions with Russia affect us directly," he said. "They could have far-reaching consequences. We must act together to ensure Ukraine is brought rapidly within our European co-operation system."

He called at the same time for a "coherent" EU policy towards the Baltic republics, intended to "draw these countries ever closer to the Union". Russian troops must be withdrawn on time, he added.

He also outlined an initiative with Mr Alain Juppé, the French foreign minister, to launch a "Europe-wide Marshall Plan of the mind" for eastern Europe, to promote all forms of scientific and university exchanges, bringing thousands of students and scientists into west European universities, and sending western teachers to the east.

The two nations will also press to make the Maastricht treaty a reality, for more energetic promotion of a European security policy as a pillar of the Atlantic alliance; and for an active Mediterranean policy, to promote development in the Maghreb region.

Bundesbank discounts money supply figures

By Quentin Peel in Bonn and David Waller in Frankfurt

German money supply grew at 17.6 per cent a year in February, a slight reduction on the 21.2 per cent rate in January, but still far above the Bundesbank's 4-6 per cent target.

The figure, for the broad M3 measure of money supply including time and savings deposits, was immediately discounted by the central bank as a continuing reflection of the extraordinary growth in December and January, exaggerated when calculated on an annual basis.

For the first time the bank published a figure for the growth in money supply com-

pared with the previous quarter, which it put at 4.1 per cent for February, according to preliminary calculations.

There was general confidence in the financial markets that the high money supply figures, expected to remain in double figures for some months, would not divert the Bundesbank from its strategy of gradual interest rate cuts.

Some analysts warned, however, that the special factors which caused December's figure to rise by 8.1 per cent, before the January record, are still having a big effect on M3: they include a surge in house buying and building, and the refusal of traditional bond

investors to return to that market from short-term deposit accounts.

The Bundesbank pointed out that bank credit to enterprises and individuals actually declined - new loans totalled DM9.8bn (\$5.62bn) in the month compared with DM12.8bn a year earlier, although total lending rose in the past six months at a seasonally adjusted 10 per cent annualised rate.

Bank credit to the public sector increased rapidly, by DM5.7bn, and public authority deposits with the Bundesbank declined by a further DM2.5bn, showing that the deficit financing of the public sector continues to have a strong expansionary effect on money supply.

The most important factors distorting money supply in December were massive repatriation of capital from outside Germany, because of the abolition of tax benefits for accrued interest funds in neighbouring Luxembourg; and a surge in borrowing for house purchases, with the imminent expiry of special tax allowances for buying old properties.

What happened in January was that the repatriated funds failed to return to the bond markets, as expected, because of turbulent conditions and a turn upwards in long-term interest rates. The money remained in relatively

short-term deposit accounts and financial instruments.

Nor has house-purchasing activity declined significantly, because the expectation that the steady decline in interest rates is coming to an end has encouraged more borrowers to take out mortgages.

Opinion among analysts is divided between those who believe the distortions in the M3 figures make them largely irrelevant, and those who believe they point to long-term inflationary potential.

"The number was better than some had feared," said Mr Julian Jessop of Midland Global Markets Research, "but it doesn't matter what M3 does, neither for German monetary

policy, nor for the market. The real issue is inflation, and that is likely to turn out at 3.1 per cent for this month, and could be below 3 per cent in April. This means the Bundesbank could cut its rates when the policy-making council meets on April 28.

The Bank of France yesterday cut its key intervention rate by 0.1 percentage point to 6 per cent, writes Alice Rawsthorn.

The reduction, following Wednesday's cut in the German repo rate, reflected the Bank of France's eagerness to keep pace with the Germans, but its modest scale illustrated the bank's concern about the weakness of the franc.

Cash merry-go-round puts M3 in a spin

Why is Germany's money supply sky high? It's mostly a question of avoiding tax, writes David Waller

Built of glass and steel, the Deutsche Bank headquarters on the outskirts of Luxembourg looks more like a cross between an art gallery and a high-security prison than a branch of Germany's biggest bank.

Enter the imposing building and the customer is confronted with a 9.2 metre-high sculpture which would not be out of place on the set of Jurassic Park, the Spielberg dinosaur movie. The walls are hung with garish paintings and there is not a cash-dispenser in sight.

Although lacking the facilities of a normal bank branch, this is the biggest credit institute in the Grand Duchy, a temple of mammoth built in tribute to the colossal sums of money which slosh backwards and forwards between Germany and its tiny neighbour.

The sloshing has become more pronounced in recent months, generating huge profits for the German banks (Deutsche Bank Luxembourg last week announced a 51 per cent increase in earnings) and helping to trigger the explosive growth in German money supply in January and February.

Over the last three years at least DM300bn (\$170bn) has been parked by Germans in offshore accounts. The money has gone primarily to the Grand Duchy, says Mr Peter Pietsch, an economist at Commerzbank in Frankfurt, although Switzerland, Austria and the Channel Islands have also benefited from the cash exodus.

Much of it has found its way

to Luxembourg in the form of banknotes stuffed into suitcases and carrier bags, unloaded over the counter and booked into discreet numbered accounts at any one of the Grand Duchy's 218 banks. But there is no need to make the drive down the Mosel valley, banknotes stashed in the boot - simply pay a visit to any bank branch in Germany and the customer is inundated with suggestions as to how money can be transferred all the while of a computer switch.

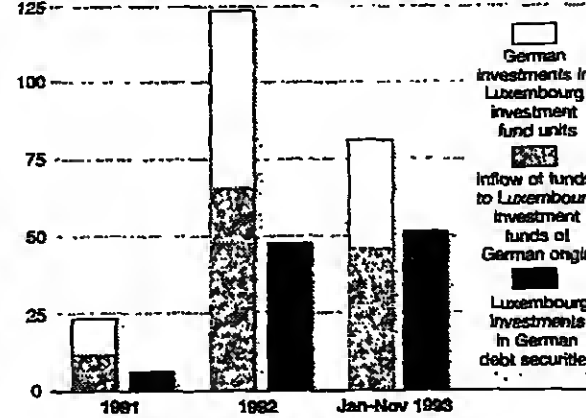
Underlining the symbiotic links between Luxembourg and Germany, most of the cash has then flowed back into the German capital markets, invested by the banks in German government securities on their customers' behalf. It is estimated that of the DM230bn spent by "foreigners" buying bonds last year, nearly DM50bn came from Germans investing in their home market principally via Luxembourg funds. This followed an inflow of DM45bn to Germany from Luxembourg in 1992.

The catalyst to the capital movement is tax. For five years the German government has been struggling to find a way to tax interest earned on savings. Whilst the Finance Ministry has experimented with one form of tax after another, Germans have voted with their wallets - transferring their savings across the border to Luxembourg where there is no tax on interest income.

Although there is nothing

Germany

Selected securities transactions with Luxembourg (net purchases DMbn)



Source: Federal Association of German Investment Companies; Bundesbank

illegal about transferring cash to Luxembourg, so long as the income is later declared in tax returns, the German tax authorities are convinced that the big banks have been helping their customers to evade rather than merely avoid tax commitments.

Hence the spectacular raids on Dresdner Bank branches in Frankfurt and Düsseldorf in January, when 40 tax officials confiscated documents and opened up the postbag between head office in Germany and the bank's branch in Luxembourg. The authorities alleged that the bank was systematically helping its customers shovel cash across to Luxembourg in order to evade tax: an incensed Dresdner has denied any impropriety and is planning to take its case to the Federal Constitutional Court in Karlsruhe.

Ironically enough, this court has already played a major role in stimulating capital flight.

On June 27 1991 it ruled that the government must re-introduce a tax on interest income, having dropped a previous levy because of its disastrous impact on the German capital market.

The government's response was the so-called Zinsabschlagsteuer (ZAST), a 30 per cent tax on interest income which is deducted at source by banks when they credit the interest to bond holders. This came into effect at the beginning of last year.

Despite sharply increased thresholds for tax-free interest, private savers reacted with what the Bundesbank described as "fairly massive evasive reactions and roundabout transactions via neighbouring financial centres".

The natural vehicle for such transactions were Luxembourg funds. The number of such funds managed by German institutions rose from 32 to 168 between 1991 and 1993. Over

the past five years the number of German banks represented in the Grand Duchy rose from 40 to 63.

The roundabout continued in the latter months of last year when Germans repatriated at least DM25bn out of Luxembourg back to Germany. This reversal of the usual pattern reflected a change in the tax law affecting rolled-up interest. The flow of funds back to Germany was a key reason behind the surge in M3 money supply in December to February which has in turn made it harder for the Bundesbank to cut interest rates despite sharply falling inflation.

If the Luxembourg connection has dealt a knock to the Bundesbank's credibility, the German government has suffered a more tangible blow: to its tax revenues. The ZAST has proved a disappointing source of income at a time when every penny of tax is helpful to plug a yawning budget deficit. Total income from the tax last year was DM11bn - far below the projected DM24bn.

But Mr Thomas Mayer, international economist at Goldman Sachs in Frankfurt, says the ZAST was deliberately designed to be less than wholly effective. "There has been a silent collusion between the state and the investor," he claims. If the tax had been watertight, Germans masquerading as foreign investors would not have bought funds in such huge quantities last year. Their purchases drove capital market interest rate to historic lows in 1993, helping the state to finance its deficit more cheaply than if the money had gone elsewhere.

Such a suggestion elicits no more than a harrumph from the Bonn Finance Ministry,

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REPUBLIC OF LEBANON

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION
MINISTRY OF HYDRAULIC AND ELECTRIC RESOURCES

INVITATION TO BID

The Lebanese Government, represented by the Ministry of Hydraulic and Electric Resources and the Council for Development and Reconstruction (CDR), is launching an international tender for the supply and the construction of the electrical line of Dbayeh pumping station from the power generation plant of Zouk.

This supply will comprise two 66 KV buried electric power lines (3 x 300 mm², 15 MVA each) on an approximate length of 4100m and all relative works including connection equipments.

Suppliers will have to deliver a fully fitted and ready for use supply within a maximum duration of 39 weeks.

Financing is available from the Italian Government for Italian contractors. Non-Italian contractors are also invited to participate to the tender on the condition that their offer be linked to a financing proposal.

Tender Documents will be available at the CDR office at the cost of US\$ 500 (Five Hundred US Dollars) as from Thursday, 24 March 1994 at the following address:

Council for Development & Reconstruction
Tallet El-Seray - PO Box 116-5351
Beirut - Lebanon

Deadline for returning the duly completed document with all requested justifications is 12:00 noon (Beirut Local Time) on Thursday, 26 May 1994.

REPUBLIC OF LEBANON

COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION
MINISTRY OF TRANSPORTATION

INVITATION TO BID

The Lebanese Government, represented by the Ministry of Transportation and the Council for Development and Reconstruction (CDR), is launching an international tender for the supply of buses.

The tender will comprise 140, 7.5 to 9 meter long buses, with a capacity of 40 passengers, of which 20 sealed, for the urban public transport (mainly Beirut).

Suppliers will have to deliver the 140 buses fully fitted and ready for use in several equivalent lots spread on a maximum duration of 18 months.

Financing is available from the Italian Government for Italian suppliers. Non-Italian suppliers are also invited to participate to the tender on the condition that their offer be linked to a financing proposal.

Tender Documents will be available at the CDR office at the cost of US\$ 2000 (Two Thousand US Dollars) as from Thursday, 24 March 1994 at the following address:

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*Source: BBS 1993

EUROPEAN NEWS DIGEST

EU to tighten ship standards

EU environment and transport ministers yesterday backed in principle a European Commission plan to tighten up inspection procedures for sub-standard ships, as part of the effort to reduce the high rate of accidents in EU waters. Ministers also agreed that member states should detain in port unsafe ships "until all major deficiencies have been rectified".

The Commission underlined that the use of ships more than 15 years old had doubled over the past four years. But the EU still cannot decide whether to restrict shipping from waters near environmentally sensitive areas, or on a civil liability regime for owners of hazardous cargoes using sub-standard shipping. Traditionally, EU states have acted individually through the International Maritime Organisation. But following a spate of oil tanker disasters pressure has built up for the EU to police European waters more vigorously. *David Garner, Brussels.*

French protesters defy warning

Thousands of demonstrators defied government warnings of heavy punishment and took to the streets in France again yesterday to protest against legislation reducing youth wages. Demonstrations in Calais, Saint Etienne, Valenciennes, Lyons, Grenoble, Annecy, Chambéry and Nantes took place in spite of warnings that individuals could be jailed for up to seven years and fined up to FF7,700,000 (\$90,000) each if the marches led to disorder. The demonstrators want the government to repeal a law that allows employers to pay people under 25 between 30 and 80 per cent of the legal minimum wage provided they receive on-the-job training. *Reuter, Lyons.*

Brandenburg faces early poll

The east German state of Brandenburg yesterday looked set to call an early election in June after its governing coalition broke up in dispute over state premier Manfred Stolpe's role during the communist era. The state legislature called a special session for April 13 to vote on putting forward the election, originally planned for September but now likely on June 12, the same day as the European parliament elections. Brandenburg is the fourth of the five eastern German states to see its government stumble since German unification in 1990. *Reuter, Potsdam.*

Russian minister is promoted

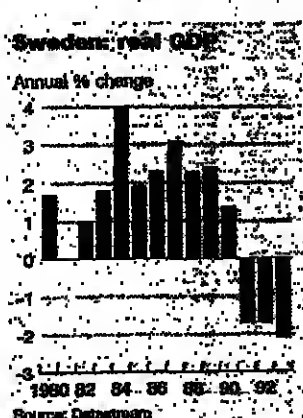
Mr Alexander Shokhin, the Russian government's longest-serving minister, was yesterday promoted from economy minister to deputy prime minister in charge of the economy. He said after a cabinet meeting yesterday that Russia's tight financial policy would cause a fall in production of 20 per cent this year, and that a more "moderate" course was necessary. Meanwhile, the US television network NBC yesterday reported that Mr Boris Yeltsin, the Russian president, had "life-threatening" cirrhosis of the liver. The report, based on a security source and two former Russian diplomats, is the latest in a spate of rumours since the 63-year-old president retired last week to the Black Sea resort of Sochi to recuperate from a three-week illness. However, his aides repeated that he was in good health and would be back to work in a few days after resting well. *John Lloyd, Moscow.*

Portuguese strike over wages

A wave of strikes and demonstrations disrupted production and public services across Portugal yesterday as workers called for increased social security payments and public-sector pay. Union leaders said yesterday's protest was a rehearsal for a threatened 24-hour general strike. Public sector pay rises are being held at 2.5 per cent. *Peter Wise, Lisbon.*

ECONOMIC WATCH

Sweden's GNP recovering



Swedish gross national product fell by 2.1 per cent in 1993. This was the third successive decline, making the recession the longest this century. But an export-led recovery - which the government is depending on to save it in September's general election - got under way in the latter part of the year, with GNP rising by 0.4 per cent in the last quarter. Nordbanken predicted GNP would grow by 2.5 per cent this year and by 3.5 per cent next year. However, the domestic economy, burdened by a huge budget deficit, continues to lag, with household incomes falling by a record 3.8 per cent last year and employment by 5.6 per cent. Nordbanken forecast a further fall this year in both public and household consumption, while unemployment was set to stand at 8 per cent. Another 5.6 per cent of the workforce are on government training schemes. *Hugh Carnegie, Stockholm.*

■ Foreign investment in Russia totalled \$2.9bn in 1993, some 90 per cent of which came in the form of equity participation.
■ Germany's trade surplus contracted to DM5.9bn (\$2.3bn) in January from DM8.5bn a month earlier, while the current account deficit rose to DM5.7bn from DM800m in December.
■ Denmark's preliminary unadjusted trade surplus rose to DKr43.01bn (\$4.3bn) in 1993 from DKr34.88bn in 1992.

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Two cities campaign for soul of Ukraine

Anger over the first two years of independence will be vented in Sunday's election, writes Jill Barshay

A generation ago western Ukrainian partisans fought eastern Ukrainian Soviet soldiers in forests outside of Lviv (formerly the Soviet city of L'vov) during the second world war. Today they are all citizens of Ukraine. But the historical and cultural divide between Ukraine's more nationalist west and Russian-orientated east are again intensifying and threatening to sever the fragile social fabric of this two-year-old nation.

As the final straight of independent Ukraine's first parliamentary elections this Sunday approaches, very different debates are shaping up in two cities, 1,200km apart, of this geographical conflict. The election's results are likely to usher new extremes into the parliament, now dominated by like-minded former communists and party bosses who have led the country to hyperinflation, a dire energy crisis and poverty.

In Lviv, an Austrian-Hapsburg architectural gem 60km from the Polish border, nationalism is exploding into radicalism and fascism. "Ukraine for Ukrainians" and other xenophobic slogans are often heard, especially the youth, are disillusioned with the economic results the moderate democrat-nationalists they



- 1917: Kiev successfully resists Bolshevik takeover
- 1918: Central & western Ukraine form independent Ukrainian state. It becomes the principle battleground for the Russian civil war
- 1920: Central and eastern Ukraine under Soviet rule. Western Ukraine is part of Poland
- 1932: Some 7m peasants die in artificial famine
- 1939: After signing of Molotov-Ribbentrop pact between Nazi Germany and the USSR, Soviet armies march into western Ukraine
- 1945: All Ukraine becomes Soviet republic; in western Ukraine fierce partisan opposition to Russian rule is only quelled in late 1950s
- 1991: National-communist alliances leads breakaway from Moscow, contributing to break-up of Soviet Union. On December 1, more than 90 per cent of Ukrainians vote for independence and elect Leonid Kravchuk, a former communist ideologue, president

once supported have brought them.

In Donetsk, a worn-out coal-mining town 60km from the Russian border, nationalism is virtually non-existent. The people, almost entirely Russian speakers and nearly half of whom are ethnic Russians, are clamouring for a "Union with Russia", by which they mean closer economic ties, and autonomy from mismanaged Kiev. There is great disillusionment with the first two years of Ukrainian independence in which personal fortunes have declined instead of improved.

For these two border cities, the election is less about throwing out the old Soviet legacy, but is more a battle for the Ukrainian soul.

Lviv wants to take over Kiev and create a unified nationalist state where everyone speaks Ukrainian. Donetsk has given up on Kiev and is holding a referendum to run their Russified region on their own and re-establish old ties with Moscow. Kiev's procurator has called this referendum illegal.

A leaked US intelligence report has forecast that a violent east-west civil war could

erupt as Ukraine's economy continued to collapse. In Lviv 19 nationalist parties have launched such an impressively noisy campaign of mass posterings and television advertisements that "centrist and communist voices are barely heard or seen", according to an election observer.

The Social-National Party of Ukraine, whose members sport black-shirt uniforms and use a swastika-like symbol as their logo, have successfully placed a candidate on the ballot of each of Lviv region's 23 electoral districts. Three years ago,

Rukh, the nationalist-democratic movement, which rallied the nation to split from the Kremlin, was the dominant political force. Now Rukh has itself splintered into two factions due to in-fighting.

"Rukh has discredited itself. They promised that we would be like Sweden in two to three years. Now we're worse off than before independence and people are looking for an alternative," said 22-year-old Natalya Balyuk.

Donetsk is in the heart of the coal and metal rich Don River basin. Less than 10 years ago, the prosperous Soviet coal mining and steel region attracted hordes of weekend shoppers from the neighbouring Russian city of Rostov. The choice cuts of meat and sausage are now gone. Today crammed busloads of Donetsk miners travel in the opposite direction, working for cut, yet rouble, wages in the Rostov coal pits.

It has been a big fall from grace for a region that was once prized as an industrial centerpiece of the old Soviet Union. While a majority voted for independence in 1991, most now regret their decision.

"We had everything then. Where did it all go?" asked Yekaterina Solovyova, a Russian coal miner's wife (whose husband is Ukrainian). "We

didn't need to cut all our links and start all these troubles with Moscow. Now it's hard for me to visit my mother in the Urals (in Russia) because the aircraft don't fly there." Ukraine's energy crisis has grounded most flights.

Like many of her neighbours, Mrs Solovyova plans to vote Yes to the four questions on the ballot this Sunday: 1. Should Russian be an official language along with Ukrainian? 2. Should Ukraine have a federal structure, where power is decentralised? 3. Should Russian be used in official documents and in education along with Ukrainian? and 4. Should Ukraine join the CIS charter as a full member and become part of the economic union?

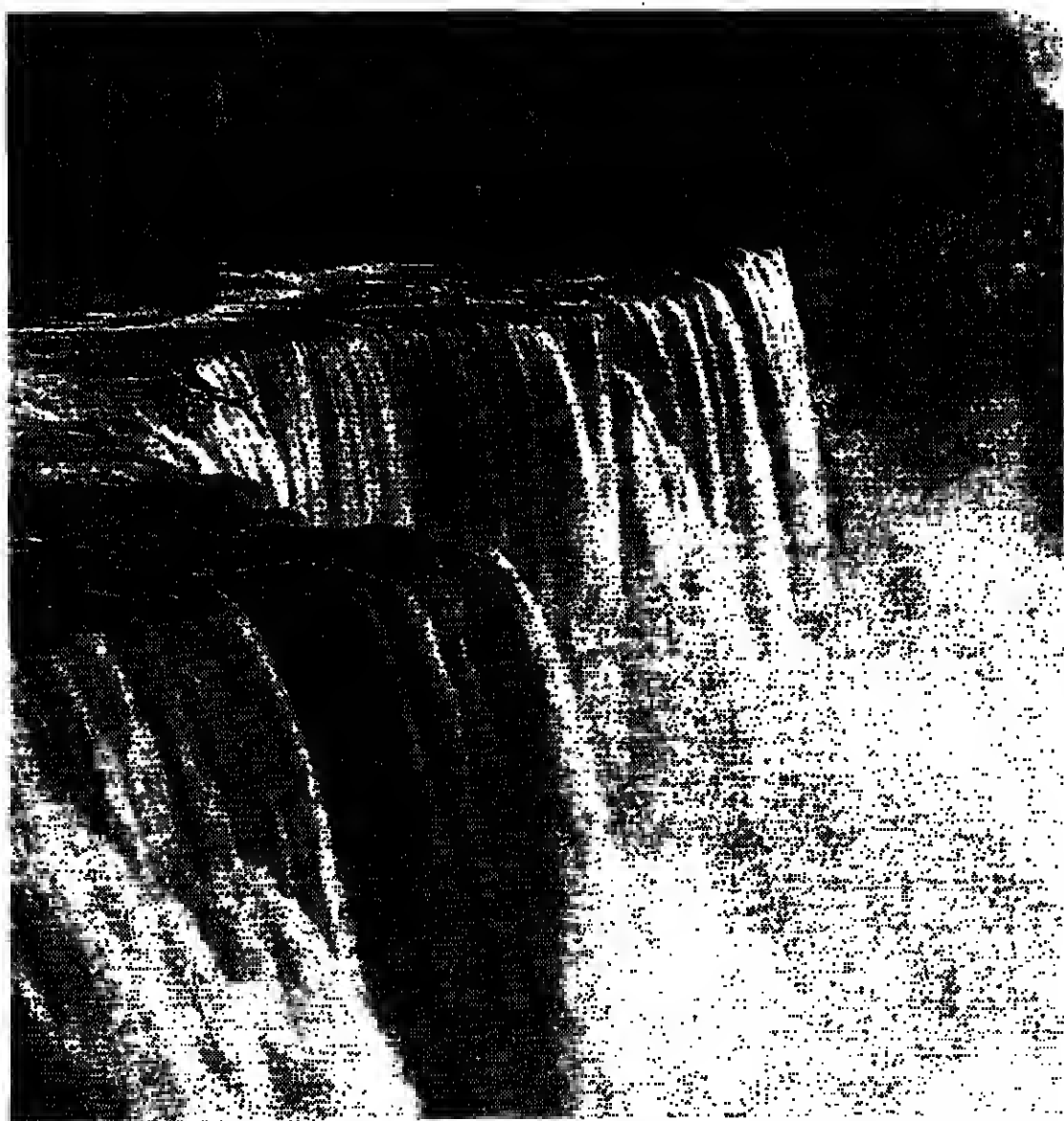
Language, curiously, comes up twice in the questions. It is a particularly sensitive point in a region where the Ukrainian language seems foreign. In Lviv, Russian may be the language of Soviet oppressors. But in Donetsk, Russian has been their history for the last 350 years. Mrs Solovyova explains: "Why can't Russian be an official language too? That's what we speak. You know, I used to feel that I could be part of Ukraine, but now I don't feel Ukrainian at all. I just feel Soviet."

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NEWS: EUROPE

Unpredictable results are likely from an electoral system with conflicting aims, writes Robert Graham

Italian election looks set to strain ties that bind political alliances

For the first time, this Sunday and Monday, a European democracy is electing a parliament with two totally different voting systems based on opposite principles of representation.

Italy is introducing British-style first-past-the-post majority voting to elect 70 per cent of both houses, but has retained proportional representation for the rest.

This curious hybrid requires considerable sophistication from the electorate and will produce some unpredictable results with 15 main parties in the ring. Nevertheless, neither of the two main alliances – the Progressives and the Freedom Alliance – is likely to win outright.

On the one hand, the majority vote has encouraged the formation of alliances and the move towards a bi-polar political system. On the other, proportional representation is designed to both reward and preserve the smaller parties. While the former system is intended to produce a clear-cut victory of one party or alliance, the latter militates against a clear result by seeking to create a group of balancing seats in the hands of small parties, who will then determine which alliance has a majority.

The inclusion of this proportional balance was a deliberate move by the Christian Democrats, Socialists and their allies who held the majority in the outgoing parliament. They believed they would be in the centre orchestrating the formation of the next government.

These conflicting electoral principles have determined all parties' strategies. No one could afford to fight the election on its own.

First to realise this was the former communist Party of the Democratic Left (PDS), which mobilised an alliance of "progressive" parties to contest local elections last June and again in November. Back in December the PDS-led seven-party alliance looked a near certain winner.

Indeed, media magnate Silvio Berlusconi's decision to enter politics in January was determined largely by other parties' inability to forge alliances and the consequent fear of the PDS sweeping the board. His choice of partners was determined by the refusal of the centre parties to entertain his political ambitions.

This left him no option but to team up with the Forza Italia movement with Mr Umberto Bossi's populist League in the north and Mr Gianfranco Fini's neo-fascist MSI/National Alliance in the centre and south. Whatever was said to the contrary in public, both League and MSI were happy to benefit from the Forza Italia media umbrella and the extra votes Mr Berlusconi promised to bring from the centre.

The centre was the last to agree an alliance strategy. This was partly the fault of Mr Mario Segni, the referendum leader

Senior members of the Italian magistrature yesterday sought to reduce the political tension caused by Wednesday's removal by police of documents on candidates from Mr Silvio Berlusconi's Forza Italia headquarters. Meeting in special session they said the action so close to the elections was "at best inappropriate", writes Robert Graham.

Mr Berlusconi was yesterday granted a meeting with President Oscar Luigi Scalfaro during which he voiced his concern about the behaviour of magistrates. The police action had been

prompted by a request for lists of Forza Italia candidates and club members in various parts of Italy. It came from a magistrate at Palmi near Reggio Calabria investigating the links between membership of secret masonic lodges and organised crime.

However, it emerged yesterday that the request for the information had come from a magistrate who was shortly due to be posted away from Palmi. It is possible that disciplinary action will follow.

But while saying the timing of the

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police action was inappropriate, the senior magistrates pointed out that there had been no "seizure" of documents – merely a normal request for information.

Mr Berlusconi denounced the move as political intimidation by the magistrature which he claimed was infiltrated by the former communist Party of the Democratic Left (PDS).

Yesterday there were signs the incident had been itself blown out of all proportion by Forza Italia to pose in the guise of victim. Mr Berlusconi himself played the victim role on Wednesday in his sole

television debate with his main opponent, Mr Achille Occhetto, PDS leader. The debate was largely taken up with mutual recrimination and neither went into details of his economic programme.

Yesterday, in an unusual move, the leaders of Italy's unions and Confindustria, the industrialists' federation, appealed for last July's historic wage productivity deal to be honoured by the next government. This was an implicit warning to Mr Berlusconi with his free market ideas on labour relations to keep his hands off it.

The PDS, meanwhile, is presenting itself as a "respectable" social democratic party, free of the old communist bogey label. At the other end of the scale, the MSI has changed its name to National Alliance and claims the fascist label no longer applies. The new respectability of the MSI championed by Mr Fini, despite some ugly figures in the background, has found a large echo and could be one of the big surprises.

The Christian Democrats, whose raison d'être was the Catholic vote in the cold war against communism, have dropped their religious identification and have revived the name of the party's forerunners in the twenties, the Popular Party. The church, itself for the first time, is faced with a split in the Catholic vote.

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PDS has been damaged by the statements of its Progressive ally, Reconstructed Communism. Calls for raising taxes on government bonds arouse fears of soaking the rich even though the party is clearly posturing to its own electorate.

Equally, Mr Berlusconi has given a greater mantle of respectability to Mr Fini. He accordingly suffers when the old corporatist attitudes of the MSI surface and clash with the media. The MSI/National Alliance colours the Freedom Alliance and forces Mr Berlusconi to move to the right. This suits Mr Fini who is less concerned about entering the government than playing for the next elections.

Mr Berlusconi insists in public that he would form a government with the MSI. But the League says it will not be in the same government as the MSI. Thus it is hard to see the Freedom Alliance in government in its present form. By the same token, Reconstructed Communism is an uncomfortable partner in government for the PDS. The party is unacceptable if the Progressives need to treat with the centre.

As the campaign has matured, the difficulties of either main alliance forming a government have become more obvious. This has enabled the centre Pact to present itself as a viable counter-weight and may well attract voters for this reason. However, it can only pick up seats on the proportional lists.

Opinion polls have been banned since March 15. But party analysts talk of the Progressives winning 230-270 seats, the Freedom Alliance 260-300 and the Pact 40-70. These parameters envisage no outright majority for any party. The next government will be an institutional one, even led by the outgoing premier, Mr Carlo Azeglio Ciampi. Whoever governs, a first task will be electoral reform to ensure that Italians can vote for a clearly identifiable government.

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Programmes aplenty but few new ideas

By Robert Graham in Rome

Every party in this campaign has gone through the motions of presenting a programme.

This in itself is a considerable novelty. Italian parties have never previously bothered with programmes because it was taken for granted who was likely to win the elections.

Thus people either voted for the five prospective government parties or the opposition. In the case of the government vote, the electorate knew there would be near complete continuity with the policies of the outgoing coalition. A vote for the opposition was never a credible endorsement of a programme of government.

However, this time a large number of parties could form part of the next government. They have been obliged therefore to prepare policy proposals – but what is on offer bears all the signs of being hastily conceived.

At the same time no one party has come up with original ideas to tackle the problems of Italy's huge debt stock.

What is on offer bears signs of hasty conception

rising unemployment and inefficient administration. Nor, despite appearances, is it a real battle between a free market right and a statist left.

The Progressive Alliance on the left has come to endorse the market economy and believes in the Maastricht criteria of convergence. Meanwhile, the right's Freedom Alliance contains an odd mix of Forza Italia's enterprise culture and the neo-fascist MSI's long-standing ideas of the corporatist state.

Economic policy guidelines: The Progressives openly support a continuation of the present government's internationally approved policy of budget austerity, bringing inflation below 4 per cent and ensuring the debt stock as a percentage of gross domestic product peaks in 1996. The centre Italian Pact follows the same line but says so more discreetly. Forza Italia has played down austerity for electoral reasons and placed the emphasis on stimulating a rapid recovery.

Taxes: All parties agree on the need to simplify the jungle of direct and indirect taxes. The most radical approach is that of Forza Italia which also favours a 38 per cent single rate of income tax. The main disagreement between "left" and "right" is over the role played by tax incentives. Mr Berlusconi sees tax breaks as an important stimulant of new investment. The Progressives are afraid to be seen lowering the tax burden on the rich.

All want to avoid any further increase in fiscal pressure (currently at 42 per cent). The Pact talks of imposing a constitutional limit of 40 per cent;

Forza Italia wants to reduce pressure by one percentage point a year over the next decade. Both the Northern League and the PDS want to reduce the excessively centralised tax system and make it more federal with greater power for the regions.

Jobs: Employment is the electorate's biggest concern and the parties recognise they have to demonstrate a commitment to create jobs. This raises the most stark contrast in policies. The left is placing much hope on the Delors plan for stimulating Europe-wide employment through grand infrastructure projects. The Progressives also emphasise raising standards of professional training and channelling investment (public and private) into areas of high technology. The right, especially Forza Italia and the League, believe the key lies in greater flexibility in the labour market, with easier rules on hiring and firing – coupled with fiscal incentives to lure personnel.

Social security: There is a contrast between the left and centre's belief in the value of a revitalised and stronger welfare state, and the right's pledge to create more room for private initiative in healthcare and pensions. The growing deficit in the state-operated pensions scheme has forced all parties to propose solutions.

Forza Italia and the League want to create the conditions to permit a rapid shift towards private pension funds. The Progressives believe existing legislation on pension funds is sufficient and would ensure that the state continues to guarantee a safety-net for the less fortunate. Almost certainly the next government will be forced to speed up the gradualist move to raise the pensionable age to 65.

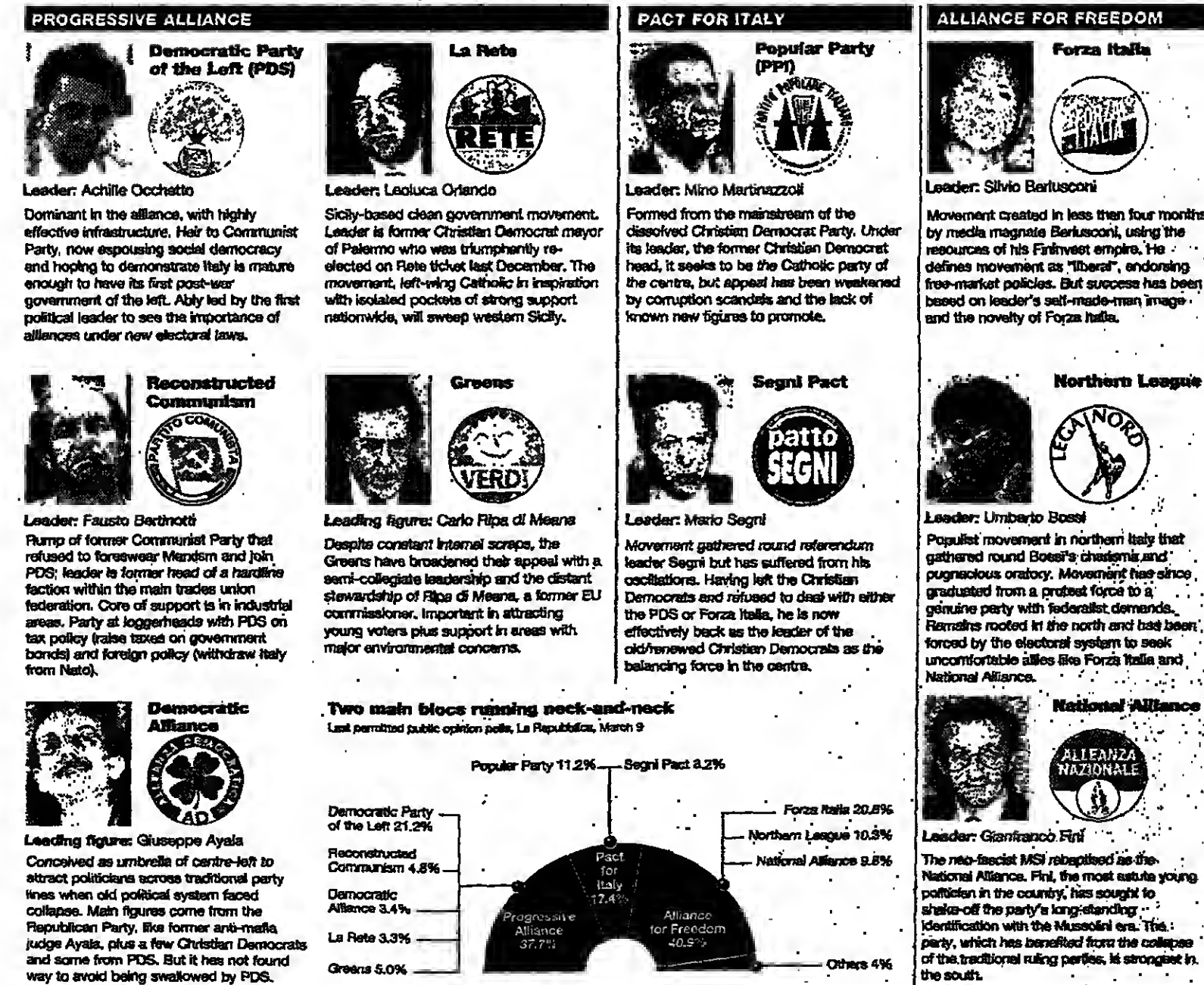
Privatisation: Save reticence from the MSI and Reconstructed Communists at opposite ends of the spectrum, the parties endorse a slimming of state involvement through privatisation. The existing privatisation programme is likely to be respected. The main differences centre on the timetable and the residual control of the state in "strategic" areas like telecommunications (Telecom Italia) and energy (Eni). Forza Italia wants the process to move more quickly and the state to withdraw more completely. The centre and left would respect the Ciampi guidelines but the left will be tempted to retain some control over telecoms and Eni.

Foreign policy: Italy's commitment to the European Union is supported by the main parties. The degree of commitment will be determined by the strength and/or weakness of the next government. All parties are anxious to see Italy play an active role in resolving the crisis in former Yugoslavia. The right wants to see a more active overseas military role and is committed to raising the profile and professionalism of Italy's armed forces. All parties would be forced by budgetary constraints to cut foreign aid.

The new political geography from left to right

Chamber of Deputies (lower house): 630 seats, 48.3m voters (18 years or older). Voter has two votes, one for individual candidates and one for party lists. 475 seats in single-seat, plurality contests grouped into 25 constituencies. Voters vote for individual candidates, 165 seats allocated by a form of proportional representation (PR). Voters vote for party lists.

Senate: 315 seats, 42.7m voters (25 years or older). Voter has one vote, castable for a candidate (either linked to party list or an independent) in a single-member seat. 232 single-seat, simple-plurality contests, grouped into 20 constituencies. 18 regions have additional seats (83 nationwide) allocated by a form of PR.



Business ponders which runner to back

New political system is causing concern in nation's boardrooms, writes Andrew Hill

There seem to be two parallel election campaigns in Italy. One is the colourful televised spectacle, a parade of new or relaunched parties inflated by rhetoric and garlanded with new slogans and logos. The other is the attempt by the same protagonists to appear greyer than their rivals, to shake off or play down potentially embarrassing tales with neo-fascism, Marxism and corruption scandals.

It is this second campaign which Italy's business community is watching. According to Mr Marco Borsa, editor of the Milan-based business magazine *Spansione*, companies are fearful of the future. "They were used to working under the old political system."

That fear is compounded by the fact that it is difficult for the business community to interpret the signals put out by the three main political groupings.

As creator of the Fininvest group, Europe's second largest media empire, Mr Silvio Berlusconi, Forza Italia's founder, ought to have the edge in winning the entrepreneurial vote. Last Sunday he tried to highlight this strength in a radio debate with his main Progressive opponent, Mr Achille Occhetto, leader of the Party of the Democratic Left (PDS).

who knows how to organise things, get results and come up with ideas. This activity is much closer to my training than that of a party leader, who may know his party apparatus, and how to handle interviews, party rallies and TV slots, but has never had to deal with the concrete problems of the workplace," he claimed.

But Mr Occhetto has been working hard at home and abroad to offset fears about the Progressive Alliance, whose ranks include not only the PDS but the unabashed hard left of Reconstructed Communism, a party which has frightened investors by threatening to tax government bonds. Last month Mr Occhetto even spent 24 hours in the City of London, reassuring bankers and brokers that his was the party of fiscal prudence, continued privatisation and reform of the public administration.

Mr Berlusconi may also have alienated some of the business constituency with a colourful attack on the Confindustria employers' federation earlier this month. He claimed that the federation, of which he is a council member, was not a place for real entrepreneurs.

As a result, business support could well be split next Sunday. Indeed, company executives are standing for almost all parties. In Milan, for example, Mr Ernesto Gismondi, head of the

Artemide design group, is a Progressive candidate in spite of having been a missile expert and Nato consultant.

Under the circumstances, it is hardly surprising that few companies will commit themselves publicly to supporting one group of parties.

Confindustria itself eschews political commentary. Instead, the media has speculated about the voting intentions of Mr Gianni Agnelli, head of Fiat and a traditional reference point for the industrial mood of Italy. A party thrown by a Fiat lawyer this week for Mr Valerio Zanone, candidate for the centrist Alliance in Turin, was taken as evidence that the Agnelli was backing the centre. Gianni himself has made no clear pronouncements.

Certain small businesses, widely courted by prospective candidates, particularly in the north, are more partisan. Mr Beppe Palma co-ordinates a Milan-based lobby group for small and medium-sized enterprises which has pinned its hopes for the past four years on the federalist Northern League. He admits, however, that politicians can easily commit themselves to helping small and medium-sized companies, then forget about them once in power.

In any case, according to some entrepreneurs, the final choice may not make much difference. Mr Luciano

Benetton, chairman of the international clothing group, points out that all parties face the same challenges as the outgoing technocratic government: reducing unemployment and the public debt, continuing privatisation and reform.

Behind the electoral hyperbole, the manifestos of the three main groups are broadly similar.

Mr Paolo Taramelli, who heads the Milan office of merchant bank Schroders, is similarly calm about the effect on markets. "There is really nothing in the three programmes which is alarming or would lead to the conclusion that Italy is becoming a risky country [for investment]."

In an opinion poll at the beginning of this month for the newspaper *Corriere della Sera*, institutional investors, fund managers and brokers suggested that an outright victory for the centrist alliance would probably be the best result for the bond and stock markets. Unfortunately for investors, a centrist victory is the least likely outcome. Probably no group will have a majority.

But as more cynical observers point out, a few weeks of post-election manoeuvring will at least give those companies still sitting on the fence plenty of time to adjust their policies to the prevailing mood.

Voting rules leave public perplexed

By Robert Graham

The new election laws are in the best tradition of Italian legislation – complex and confusing.

The Ministry of the Interior has been obliged to run daily television spots explaining how the voting system works. It has also obligingly published a 544-page booklet on all the electoral laws since 1947.

The impression remains that many people remain perplexed. They certainly do not understand the finer points of the new system which is split between majority voting (first-past-the-post) and proportional representation.

Although constituency boundaries have been redrawn for these elections to accommodate population changes and create smaller electoral colleges, the number of seats remains the same. The Chamber of Deputies has 630 seats with roughly 130,000 voters per seat. The Senate has 315 seats with broader regional constituencies.

Under the new system 475 seats in the chamber are elected by majority voting and 155 by proportional representation. The same 67.5 per cent split applies in the Senate.

For the chamber, voters are given two voting slips – the first has candidates on the majority list, the second candidates on the proportional list. The majority vote is straightforward: the candidate with the most votes wins the seat.

The complex part relates to the seats elected by proportional representation. Before the proportional votes are tallied at national level, a mechanism is introduced which favours the small parties and penalises those parties which have already seen their candidates win seats in the majority vote. This is on the principle that the smaller parties elect the fewest seats in the majority vote, which favours candidates in big parties or in alliances controlled by a dominant party.

To qualify for any of the 155 proportional seats, each party must have 4 per cent of the vote nationally. Two of the traditional minor partners in government, the Liberals and Social Democrats, have been well below this threshold since 1987.

The proportional candidates for parliament are selected from party lists, according to the dictates of the leaders. Candidates can contest one majority seat, which they must accept if they win or risk losing it to the runner-up party. However, majority vote candidates can also stand in up to three proportional lists to hedge their bets.

All the leading candidates in the parties are standing in both the majority and the proportional lists – often in two or three. For instance, Mr Gianfranco Fini, the MSI/National Alliance leader, is a majority candidate in Rome, and a proportional candidate in Lazio and a Trieste constituency. Mr Achille Occhetto is a majority candidate in Bologna and then a proportional candidate in Lazio.

Singapore set 52...

By Paul Brink...

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Singapore set to order 52 airliners

By Paul Betts,
Aerospace Correspondent

Singapore Airlines (SIA) is set to place an order for up to 52 wide-body airliners worth more than \$6bn (£4.1bn) to meet the airline's expected 8-9 per cent annual growth during the next 10 years.

The proposed order, which matches in size the recent decision of the Saudi Arabian carrier Saudia to acquire 38 Airbus A340 long-range airliners for its fleet renewal and expansion programme, has already sparked a fierce contest between Boeing of the US and the European Airbus consortium.

Both Boeing and Airbus have already submitted rival proposals to SIA after the South-East Asian carrier invited them to tender. The three leading aero-engine manufacturers - Pratt & Whitney and General Electric of the US and Rolls-Royce of the UK - have also submitted bids to supply the power plants for the SIA order.

SIA has told the bidders it had a requirement for 22 Boeing 747-400 jumbos and 30 Airbus A340 long-range airliners for delivery starting in 1997 and running through to 2003.

These new aircraft orders are in addition to 12 Boeing 747-400s and 13 Airbus A340s the airline already has on option.

Although SIA is considering at present buying a mix of Boeing and Airbus wide-body airliners, it has also indicated to the bidders it could opt for just one aircraft type if it received a sufficiently attractive proposal from one of the two manufacturers.

The separate negotiations over the conversion of SIA's Boeing and Airbus options are also likely to have an impact on the airline's proposed \$6bn order since the manufacturers can be expected to use these negotiations to offer an overall package to enhance their chances.

The stakes are high because

aircraft orders of this magnitude continue to be rare in the troubled airline industry. The European Airbus consortium is particularly anxious to clinch the Singapore deal after losing out to its US rivals, Boeing and McDonnell Douglas, in the Saudi contest.

SIA is also regarded as a prestige customer for the manufacturers because it is one of the few strongly profitable airlines based in the world's fastest growing aviation market of Asia-Pacific.

The company has never cancelled a firm order in its history.

Although SIA has also been hit by the world airline industry downturn during the last three years, it has pursued its strategy of maintaining a young fleet, averaging about five years, by regularly acquiring new aircraft and selling its older airliners.

The new \$6bn order, expected to be placed in two to three months' time, reflects SIA's growth strategy which will see the airline doubling in size during the next 10 years.

"We are pressing ahead with our programme of steady growth," Dr Cheong Choon Kong, SIA's managing director, confirmed in an interview in Singapore last month. He added the airline was confident it could sustain annual growth rates of 8-9 per cent till the end of the decade.

Dr Cheong stressed that SIA had no funding problems at present, with a cash and reserves of Singapore \$1.3bn (\$533m).

To boost its aircraft resale and leasing activities, SIA is also expanding its aircraft and aero-engine maintenance business to offer maintenance packages with second-hand aircraft sales.

It has just formed two joint ventures with Pratt & Whitney, which has supplied up to now the power plants for SIA's Boeing 747 fleet, for jet engine repair services in the Asia-Pacific region.



A Vietnamese technician checking an old telephone line system in Hanoi yesterday

VIETNAM IN FRENCH PHONE DEAL

France Telecom, the French state telecommunications group, has signed a \$500m (£342.4m) agreement in principle with the Vietnamese authorities to upgrade Vietnam's telephone network. Our Foreign Staff writes.

It will be France's biggest project in Vietnam, where it is a leading foreign investor. Details of the agreement and of financing

were not immediately available. But it will provide a big increase in the number of telephone lines in Vietnam as well as managerial help.

Vietnam is upgrading its telephone network and international telecommunications links as part of efforts to build a modern economy based on market principles.

Hidden hurdles for Uruguay Round

By Guy de Jonquieres,
Business Editor

When ministers from more than 100 countries gather in Marrakesh, Morocco, next month to sign the Uruguay Round, there is bound to be much self-congratulation on having achieved the most far-reaching world trade liberalisation package in history.

However, their festive spirit will be tempered by awareness that the deal will not be finally in the bag until it has been ratified by their own legislatures - or at least by most of the economically more important members of the General Agreement on Tariffs and Trade. And on that score, a number of worrying uncertainties remain.

Negotiators have agreed in principle that the process should be completed in time for the round's provisions, including establishment of the planned World Trade Organisation, to take effect by July 1 next year.

But urged on by the Gatt secretariat, several leading industrialised powers have indicated that they are aiming for ratification by the end of this year. Though the deadline is informal, it has started to acquire considerable psychological importance in Geneva. However, it also looks increasingly ambitious. While all governments say they are confident of mustering the necessary legislative backing, there are growing risks that ratification could be sidetracked in several national capitals by procedural complications or by political obstacles not directly related to trade policy.

Serious delays among the

"Quad" powers - the US, the European Union, Japan and Canada - would defer realisation of the economic benefits of further trade liberalisation. Equally important, they could check the momentum by lessening the pressure on other, smaller, countries to ensure speedy ratification of the round.

Until recently, the main doubts centred on the prospects for early action by the US Congress. Not only have these deepened since the start of this year, but fresh uncertainties have emerged about the outlook in the EU, where an internal wrangle has arisen over jurisdictional issues, and in Japan, where parliament is already late with its existing timetable.

In the US, the Clinton administration had originally aimed for congressional ratification before the summer recess. But the timetable has been jolted by the need to compensate for revenue losses caused by planned tariff cuts.

The losses have been put at at least \$13.5bn (£9.2bn) over five years. Mr Richard Gephardt, leader of the House Democrats, has suggested they could total \$40bn in the next decade. Under budget rules, the shortfall must be made good by tax rises or reduced spending.

In Europe, the fate of the round has been complicated by an arcane controversy about who is entitled to ratify it on behalf of the EU. The European Commission, backed by the European parliament, claims it has the necessary authority. But most member governments disagree. The 12 contend that while the com-

mission was empowered to negotiate on their behalf, EU law requires that their own parliaments approve those parts of the package dealing with the creation of the WTO, liberalisation of services and intellectual property rights.

In an effort to resolve the row, Brussels plans next month to seek an opinion from the European Court. The commission claims to be confident of a decision in its favour which would enable it to ratify the entire agreement and leave national parliaments to give their assent at their leisure.

However, there are two possible catches. One is that the court is unlikely to rule before autumn at the earliest. The other is that if its ruling goes against Brussels, the EU will be unable to ratify the round until it has been approved by every national parliament.

The Japanese parliament will be unable to tackle the Uruguay Round during its current session because of blocking tactics by the Liberal Democratic Party, which has refused to discuss the coming year's budget until prime minister Morihiro Hosokawa divulges more details about a ¥100bn (£537,000) loan from a trucking company.

The package will be submitted to a special parliamentary session in the autumn, which will also be asked to consider controversial tax reform proposals and a bill to redraw the country's electoral boundaries. "It is going to be a very tight schedule," says Mr Koro Bessho, director of the foreign ministry's Gatt division. Additional reporting by Will Dawkins in Tokyo, and Nancy Dunne in Washington.

Europe urged to set specific health targets

By Clive Cookson,
Science Editor

Other countries in Europe should follow Britain's example and set specific targets for the health of their citizens, the Financial Times World Pharmaceuticals Conference in London was told yesterday.

Mr David Anstice, who heads the European pharmaceutical business of Merck, the largest US drug company, said governments were obsessed with financial accountability and neglected their parallel responsibility for improving health. "To achieve these improvements, governments should identify priorities and set measurable national health targets." The only example so far, he said, was the 1982 UK White Paper on health, which identified five priority areas with targets for the year 2000.

If such targets were taken seriously, they would encourage governments to spend their drugs budgets more wisely, Mr Anstice said. At present they waste money on

cheap but ineffective "comfort medicines" without patent protection, when they could get better value by encouraging doctors to prescribe more effective new drugs.

The pharmaceutical industry has traditionally focused its marketing and promotional activity on the doctor, rather than the patient.

But the message to the conference from Mr Thomas Moore, president of Procter & Gamble's US pharmaceutical business, was: "Don't forget the consumer."

Mr Moore said most drug companies lacked the marketing skills required to sustain a profitable long-term income from products which switched from prescription-only to over-the-counter status.

The normal approach was to milk them for short-term profits rather than creating brand loyalty.

Mr Kurt Briner, president of France's Sanofi Pharma, agreed that "in addition to supporting a growing share of the expense, patients want to have more say in the choice of drugs prescribed. This attitude is rapidly gaining momentum."

Caribbean Basin nations on course for trade bloc

By Canute James in Kingston

Representatives of 22 countries and several dependent territories in the Caribbean Basin have concluded the first round of talks aimed at creating a new regional trade group.

The Association of Caribbean States - its provisional title - will start as a consultative group linking up to 25 countries as full members and 15 dependent territories as associate members. It could eventually become the world's fourth largest trade bloc.

The draft convention, discussed further at a meeting in the Dominican Republic in May, before being taken up by ministers in June. Members will sign the agreement in July.

Prospective members of the ACS include Colombia, Mexico, Venezuela, Cuba, Haiti, the Dominican Republic, the Central American states, Surinam and members of the Caribbean Community.

According to the draft convention, the group's main objectives will be liberalising trade and investment; co-ordinating negotiating positions on bilateral and multilateral issues; and promoting investment opportunities in the Caribbean Basin.

"We are creating an environment and it is the beginning of the process," said Mr Edwin Carrington, secretary general of the Caribbean Community (Caricom), which is co-ordinating the formation of the ACS. But the 25 countries which had sent representatives to the

meetings had the potential to create the world's fourth biggest trade bloc.

The likely membership of the ACS has a combined population of 200m people, an estimated gross national product of \$500bn (£349bn), estimated annual merchandise exports of \$80bn, and annual merchandise imports of \$100bn.

There is already some uncertainty over how Cuba will fit into the group. Some delegates to the Kingston conference said they expected, but would not be deterred by, US irritation at Cuba's participation, although this could worry other potential members. Two US Caribbean possessions - Puerto Rico and the US Virgin Islands - are unlikely to be interested in the group because of Cuba's participation.

Japanese carmakers try to cut barriers

By Michio Nakamoto in Tokyo

The Japan Automobile Manufacturers' Association yesterday announced a voluntary plan to increase access to the Japanese market for foreign vehicles and parts.

The plan, which follows persistent US pressure on Tokyo to improve the market environment for foreign vehicle and parts makers, is aimed at deflecting US criticism of trade barriers to the Japanese market. It is being offered as an alternative to US requests for government-led action to open the country's vehicle market.

The plan calls for increased exchanges among vehicle and parts industries worldwide, support for foreign vehicle makers in Japan and better availability to foreign companies of information concerning the Japanese market.

The issue of car and parts sales has been particularly thorny, as the sector makes up 80 per cent of the US trade deficit with Japan. Japan has been criticised for providing insufficient information to foreign car makers and for regulations and business practices which hinder sales of foreign-made parts to the Japanese after-market.

Japanese officials have refused to commit themselves to US proposals for government action in the industry, claiming that such activity in the private sector would constitute managed trade.

The association's plan was timed to precede the government's launch of a programme to open up the country's markets.

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NEWS: INTERNATIONAL

Somalia's clans tire of war

Leslie Crawford on the prospects for a fragile peace accord

Somalia's arch-rivals, Gen Mohamed Farah Aided and Mr Ali Mahdi Mohamed, embraced yesterday in Nairobi and pledged to form a government of national reconciliation only hours before the last US troops were due to pull out of Somalia.

The two warlords, promoted to "faction leaders" by a more conciliatory United Nations, signed an agreement which commits them to implementing a ceasefire, disarming their militias, and holding a conference on May 15 to elect a president, vice-presidents and a prime minister for their war-torn country.

Somalia has not had a government since Gen Mohamed Siad Barre was overthrown in January 1991 and rival clans plunged the country into civil war.

Details of the new agreement were sketchy. The short declaration did not explain how power would be shared among the 15 clans and numerous sub-clans who have fought so bitterly for hegemony over the past three years.

Somalia, the former British colony which straddles the north-west of the country, has unilaterally declared independence and did not take part in the Nairobi talks.

Gen Aided and Mr Ali

Mahdi have embraced before, only to resume fighting across the green line that divides Mogadishu. Two previous peace agreements have collapsed.

But all sides were keen to put a positive gloss on yesterday's proceedings. Mr Ali Mahdi spoke of "a new determination in Somalia... to deal with conflict peacefully and collectively".

Ambassador Lansana Kouyate of Guinea, who brokered

All sides involved are keen to put a positive gloss on yesterday's pact

the peace talks on behalf of the UN, said the present agreement had a greater chance of success because "the Somali people and their leaders are tired of war".

The new climate of understanding rests on fragile ground. On Wednesday night, Mr Kouyate announced the peace talks had collapsed, after Somali factions called off their reconciliation ceremony for the third time in a week. Yesterday, he cautioned the new agreement was "only a beginning".

Mr Kouyate leaned heavily on the factions to reach some kind of public understanding

before the departure of US troops, which many feared would bring back anarchy and violence to Somalia. The agreement, however cosmetic, will buy the UN time in which to readjust its operation in Somalia in the face of its rapidly crumbling military presence there.

The withdrawal of the 28,000-strong US force and all the European contingents has turned a multinational UN peacekeeping force into a

Third World operation with uncertain aims. Pakistan, with the largest contingent in Somalia, is threatening to withdraw its 5,300 soldiers unless the UN provides better military hardware.

"Are the lives of Pakistanis cheaper, or is our job to be completed less effectively?" asked Mr Sardar Aseef, the foreign minister, during an inspection tour this month. The complaint masks the impotence of the peacekeepers who remain. Mogadishu airport is looking bereft without the display of heavy weaponry that marked the 15-month stay of US troops. Aid agencies say looting and banditry are on the

rise. On Sunday, two Italian journalists were shot dead in Mogadishu. Seven aid workers have been kidnapped since January.

But UN soldiers have avoided any action that might bring them into conflict with lawless gunmen ever since a battle in October which killed 18 US soldiers. "A bunker mentality pervades the fortified UN compound in Mogadishu," says Mr Richard Burke of the British charity Save the Children Fund (SCF). "Having an international force in Somalia has only given us a false sense of security."

When an SCF warehouse came under attack from looters in Belet Wein last month, Italian peacekeepers stationed in the town failed to come to the rescue. "They just switched off their radio," Mr Burke said.

Few aid workers believe clan leaders can regain control of their gunmen. "Real disarmament will be a task for the new government," Gen Aided said yesterday. So will the creation of a police force, an independent judiciary, and all the civil institutions which Gen Aided and other warlords so effectively destroyed. For the moment, at least, it appears Somalia's fractious clans have more to gain from talking than from fighting.

Leaked letter upset for ANC

By Matthew Curtin in Johannesburg

A leaked letter of intent sent by the South African government to the International Monetary Fund last year threatens to embarrass the African National Congress.

The ANC put its name to a document committing a new government to fiscal and monetary discipline as a precondition for securing a five-year \$850m (£574m) loan for drought relief.

Mr Alec Erwin, a leading ANC parliamentary candidate, this week argued against rigid deficit ceilings, in favour of greater flexibility. But Mr Tito Mboweni, the ANC's representative on the Transitional Executive Council's finance committee, said it regarded the IMF letter of intent as "binding".

The letter, signed by the TEC, the multiparty body overseeing government, recognises the importance of tight monetary policy, and states that "increases in government deficit would jeopardise the economic future of the country".

Mandela calls for action in Natal

By Patti Waldmeir in Johannesburg

Mr Nelson Mandela, president of the African National Congress, yesterday called for military action to help resolve the crisis in Natal province, where more than 80 people have died since the weekend in election-related violence.

Mr Mandela declined to give details of his proposal for military action, which he discussed yesterday afternoon with President F W de Klerk. Mr Mandela said political measures should be taken but added "they must be co-ordinated with measures as far as the military situation is concerned."

It appeared last night that the two men had failed to agree on the details of such action.

Mr de Klerk said after the meeting that "contingency plans" had been prepared to increase the security force deployment in Natal. But he said he wanted to meet Chief Mangosuthu Buthelezi, the chief minister of KwaZulu black homeland and leader of the Inkatha Freedom Party, as soon as possible to seek a political solution to the crisis.

"The government is prepared, willing and able to ensure that law and order will be effectively maintained. Natal is a very difficult province to police... We will be here in greater numbers in the days and weeks to come to deal with the volatile and explosive situation here," Mr de Klerk said.

Military intervention in Natal could dramatically escalate violence in the region, where several thousand KwaZulu civil servants, yesterday



Mandela: contingency plans

he effectively maintained. Natal is a very difficult province to police... We will be here in greater numbers in the days and weeks to come to deal with the volatile and explosive situation here," Mr de Klerk said.

Military intervention in Natal could dramatically escalate violence in the region, where several thousand KwaZulu civil servants, yesterday

support for Chief Buthelezi.

They were responding to statements from ANC leaders on Wednesday calling on the multiparty Transitional Executive Council to take over the administration of KwaZulu. Mr de Klerk said last night that the TEC did not have the power to remove Chief Buthelezi. The ANC will today hold an anti-Buthelezi civil servants' protest in the Natal town of Empangeni and a large march through Durban.

Meanwhile, ANC leader Nelson Mandela invited Zulu King Goodwill Zwelithini to meet him at the home of a prominent Natal businessman to discuss the future of KwaZulu. He said the TEC was committed to the idea that "his majesty takes his legitimate place in the new South Africa as the rightful monarch of the Zulu people."

However, Mr Mandela laid down a condition for the meeting - that it be private - which may be rejected by the king. The two men were to have met last week in Umtata, but Mr Mandela cancelled the meeting after Chief Buthelezi invited thousands of the king's supporters to attend. ANC officials said they feared for Mr Mandela's safety at the meeting.

Hamas deaths spark protests by Palestinians

By David Horowitz in Jerusalem

Clashes erupted in the occupied West Bank and Gaza Strip yesterday, as Palestinians took to the streets to protest against Wednesday's killing of four leading members of the Hamas Islamic movement's military wing.

Palestinian sources said dozens of Palestinians were injured; the Israeli army said three soldiers and three Israeli civilians were hurt. In the Hebron area, Palestinian sources said Jewish settlers fired guns and threw stones at several homes. Palestinians responded by stoning the settlers. And when the army arrived, soldiers fired tear gas to disperse the Palestinians.

About 120,000 Palestinians in the Hebron area have been under strict curfew for a month, since Jewish settler Baruch Goldstein massacred 30 Arab worshippers inside the Cave of the Patriarchs. Only the 400 or so Jewish settlers in the town are allowed to move around freely.

The Israeli army commander responsible for the Hebron area, General Danny Yatom, claimed yesterday that the Hamas militants killed in Hebron were believed to include extremists responsible for the murders of several Israelis. However, since the building where they had been hiding out was devastated it was proving difficult to identify the bodies.

● The PLO yesterday urged rich nations to give more money to support setting up a Palestinian police force in the self-rule areas of Gaza and Jericho, Kenter adds.

"What has been pledged so far is not enough. We need more," said Mr Nabil Shaath, chief PLO negotiator, after Israeli and PLO delegations met representatives of 20 donor countries in Cairo.

He quoted World Bank figures estimating start up costs of \$47m and annual costs of \$90m for a Palestinian police force in Gaza and Jericho, designated as self-rule areas under an accord signed last year by Israel and the PLO.

Development aid goals must be 'rethought'

By Michael Holman and Jimmy Burns

Donors and beneficiary countries must rethink development goals in the light of radical changes in the world order, according to the Organisation for Economic Co-operation and Development's development assistance committee. Events since the collapse of the Berlin wall in 1989, including the Mideast peace initiative and the end of apartheid in South Africa, and new demands from eastern Europe and the former Soviet Union, made it "imperative" that aid be used more efficiently.

This should be done "essentially through implementing agreed aid principles and practices", the committee says in its annual report published today.

Aggregate official development assistance (ODA) from the committee's members increased 8.6 per cent in 1992 in nominal terms to \$90.4bn (\$40.3bn), a 0.5 per cent rise in real terms. Twelve of the 21 member countries increased the volume of their aid, including Sweden, Denmark, and Norway. With the Netherlands, these countries were at or above the UN target of setting aid spending at 0.7 per cent of GNP.

The group of eight countries whose official aid-to-GNP ratio was below the average 0.33 per cent in 1992 includes the US, Japan and the UK. Between them, these countries provide almost 50 per cent of member countries' official aid budget.

Foreign direct investment in developing countries, at \$24bn in 1992, was on par with 1991

levels, the bulk of which went to large economies including China, India and Indonesia. Net private flows to the poorest countries and to sub-Saharan Africa were negative in 1992.

Total net resource flows to developing countries (measured in terms of 1991 constant prices and exchange rates) increased \$28bn in 1992 to a record \$138bn, mainly due to private flows.

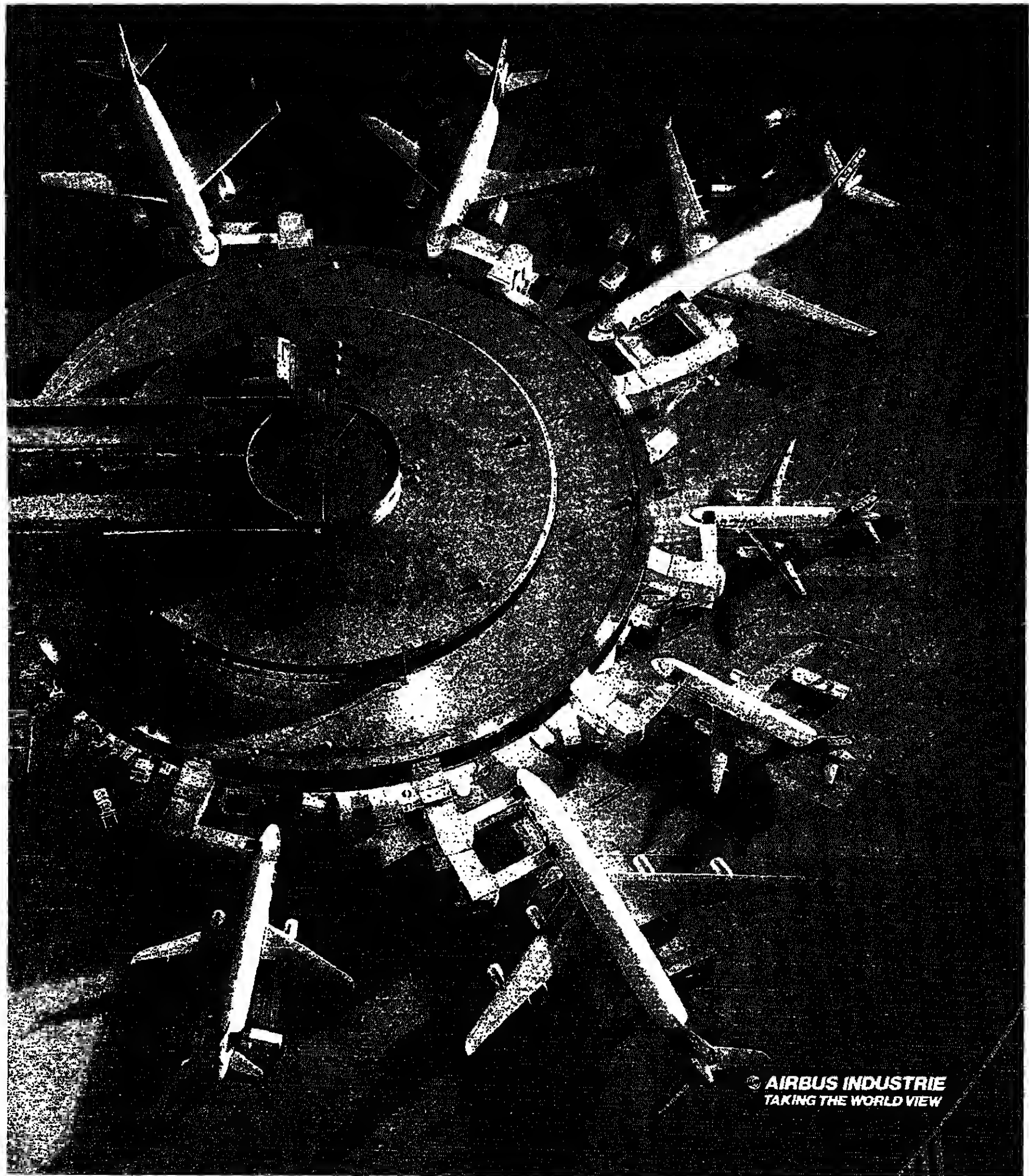
The debt situation of developing countries as a whole continued to improve. The stock of debt, which rose 4 per cent in current terms in 1992 to \$1,542bn, is growing at a "slower, more serviceable pace". The debt of some of the poorest developing countries, many in sub-Saharan Africa, "continues to be a major burden for development efforts".

● The OECD annual aid and development review is to be followed within the next month by a country report focused on the UK.

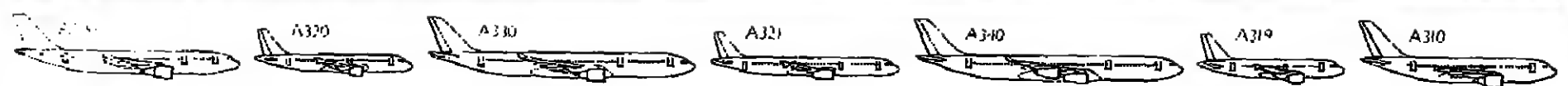
Publication is likely to refuel the controversy within the UK over the funding of the Malaysian Pergau dam project. Ms Anna-Lisa Korhonen, a Finnish government official who conducted the UK review for the OECD, said her report did not intend to single out individual projects for criticism. But it is understood the report will reflect OECD concern over aid resources when defence and commercial interests may influence government decisions.

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TAKING THE WORLD VIEW



Japanese workers agree to low rises

By Michio Nakamoto in Tokyo

Leading Japanese labour unions representing steel, shipbuilding and car workers yesterday agreed to the lowest wage increases seen since 1987 in one of the most fractious spring wage offensives in recent years.

The Japanese Electrical, Electronic and Information Union, representing workers at groups such as Matsushita and Toshiba, warned of industrial action after management refused to better a 3 per cent wage offer for the year beginning April. The union is seeking a 3.2 per cent rise, lower

than last year's 3.6 per cent.

Private railway workers were late yesterday poised to go on a 24-hour strike beginning this morning. The railway unions are sticking to their demand of a ¥12,000 (£76) a month increase, against an offer of ¥10,000.

The pay increases agreed yesterday by the steel, shipbuilding and car industries were among the lowest since the spring wage offensive, known as Shunto, was first launched 40 years ago.

The round coincides with the fourth year of decline in the Japanese economy and a call by business organisations for a general pay freeze.

Yesterday's agreements will

set the tone for wage talks in other sectors, giving rise to concerns that the low agreements will put a further dampener on consumer sentiment. Steel workers settled for a 1.56 per cent increase, significantly lower than the 2.65 per cent won last year.

In the car sector, Toyota settled for 3.06 per cent, against a 3.2 per cent demand. Honda set its offer at ¥300 below Toyota's. Nissan offered ¥800 below Toyota. Shipbuilding and heavy industry workers won a 3.32 per cent increase (4.27 per cent in 1993).

Hosokawa reassures Kim over N Korea

By John Burton in Seoul

Japanese Prime Minister Morihiro Hosokawa said yesterday that his country was ready to support UN sanctions against North Korea if the need arose.

In a meeting with South Korean President Kim Young-sam in Tokyo, Mr Hosokawa advised, however, that the UN Security Council should proceed cautiously on the nuclear inspection dispute with North Korea and attempt to maintain dialogue with Pyongyang.

If the dispute escalated to a point that sanctions would be imposed, Japan would implement all measures that are permitted by the Japanese constitution, he said.

But that condition left open the possibility that Japan might refuse on constitutional grounds to stop the flow of funds to North Korea from pro-North Korean-Japanese.

The funds, which are estimated to amount to \$600m (£410m) to \$1.6bn (£1.1bn) annually, are regarded as a vital source of foreign revenue for North Korea, which uses the money to pay for necessary



Kim Young-sam, the South Korean president (left), meets Emperor Akihito at the welcoming ceremony in Tokyo

Russia yesterday proposed a conference to discuss the row over North Korea's nuclear sites, Reuter reports. Deputy Foreign Minister Vitaly Churkin said it could include Russia, the US, Japan, North and South Korea and the United Nations.

oil and food supplies.

Mr Kim arrived in Tokyo yesterday for a three-day visit before going to China, where he will ask Beijing to intervene with North Korea and convince it of the need to accept international inspections.

Meanwhile, Japanese

Emperor Akihito last night

expressed a "sense of deep sorrow" about his country's harsh colonial rule of Korea between 1910 and 1945. Seoul's resentment over Japanese rule has been an obstacle in relations between the two countries.

Watching weapons, Page 14

Keating set to name Lawrence health minister

By Nikki Tait in Sydney

Australia's prime minister, Mr Paul Keating, was yesterday expected to appoint Ms Carmen Lawrence, the former West Australian premier, to the post of health minister as part of the fourth ministerial reshuffle in as many months.

The portfolio was vacated yesterday by Senator Graham Richardson, one of the Labor Party's most influential power-brokers, who resigned from the cabinet with a view to leaving politics.

Senator Richardson claimed he had already decided to quit after Labor's win in the 1993 election, although he had originally planned to step down in August 1994.

After spending half his adult life in parliament, the senator said he wanted to pursue other interests, beginning with his memoirs. Speculation suggests he is planning to work for Mr Kerry Packer, or he would seek to become chief executive of the Sydney Olympics Games Organising Committee.

For much of the past 10 years, he has been viewed as

the key "numbers man" in the federal Labor Party, effectively making and breaking prime ministers. Mr Keating's ascendancy tended to undermine Senator Richardson's power base, and the two men recently clashed in public over possible changes to the Medicare levy. But the prime minister and the senator insisted they were on friendly terms.

Senator Richardson is the fourth senior minister to depart in as many months, and the 15th since Mr Keating took over from Mr Hawke in 1991. There has been no pattern to the departures. Mr John Dawkins left the treasurer's position for personal reasons, Ms Ros Kelly and Mr Alan Griffiths left after differing controversies.

To an extent, the impact of the latest departure has been offset by the publicity surrounding Ms Lawrence's arrival in Canberra. Labor Party members agreed last night she should be given one of the three ministerial positions now vacant, the others going to Mr Gary Punch and Mr Con Sciacca.

Recovery 'falling into place'

By William Dawkins in Tokyo

Conditions for a Japanese recovery are falling into place, but considerable adjustments are still needed, Mr Yasushi Mieno, governor of the central bank, said yesterday.

Mr Mieno, the latest of several senior officials to suggest Japan's worst post-war recession has reached its trough, said private consumption was

improving and industrial output was expected to recover in the first quarter of this year, breaking a 28-month decline.

Many private-sector economists believe the economy touched bottom in the final quarter of last year, when gross domestic product fell 2.2 per cent compared with the same period in 1993. Government forecasters are more cautious, saying an improvement

early last year only proved to

herald a double-dip recession.

Mr Mieno warned that encouraging statistics, such as an upturn in business confidence, might be merely seasonal and heavy industrial overcapacity would slow growth for some time. Continuing labour market weakness, highlighted by yesterday's low wage offers, was another dampener on demand, he said.

Algeria's 'too much blood, too many tears'

The Algerian government began a new round of talks with opposition leaders this week to seek an end to Islamic fundamentalist violence that has killed nearly 4,000 people in two years.

A day after two more Frenchmen were killed, bringing the number of foreigners murdered to 31, Spain joined France in urging its nationals to flee the country.

Violence against foreigners is aimed at scaring away international capital and know-how vital to Algeria's economy, but Algerians themselves are dying daily in this two-year-old fight by Islamic militants to topple the army-backed government that cancelled elections in January 1992.

President Liamine Zeroual, who called last week for talks "without exclusion", met members of the Movement for Democracy in Algeria led by former president Ahmed Ben Bella on Wednesday night, officials said, speaking on condition of anonymity.

The discussion was described as "positive", but there was no elaboration.

President Zeroual's call, however, is yet to be heeded by one leading fundamentalist group. The Islamic Salvation Front, which seemed set to win the elections because of voter anger with high unemployment, corruption and government mismanagement, has been banned and its leaders imprisoned.

Meanwhile President Zeroual, who also holds the defence portfolio, has bolstered the authority of the chief of staff, General Mohamed Lamari, who is a believer in "radicalising" the supporters of radical political Islam and has been at the forefront of the repression against such groups since last summer.

After a campaign of assassinations of servants of the state - policemen, soldiers, judges and mayors - militants have turned to killing doctors, writers, sociologists and journalists in their struggle to turn Algeria into a country ruled by strict Islamic Sharia law. They have also taken to killing women who refuse to wear the veil.

Anger at the government's inability to stem the terrorism and opposition to "any form of dialogue with the fundamentalists" brought 50,000 demonstrators out on the streets of Algiers, and thousands more in five other centres around the country on Tuesday this week.

The march was led by the widow of the director of the Fine Arts School of Algiers, Mr Abdellab Asselah, who was shot in the head by members of the Islamic Armed Group (GIA), two weeks ago in Algiers. His son, Rabah, 22, a student at the school was wounded and died shortly afterwards.

"Too much blood, too many tears, together we save Algeria," protesters chanted. "Women have dignity and won't accept shame."

In an "open letter" to President Zeroual, the women's groups said that they "reject

exile, submission and compromise".

The marchers threatened to organise themselves into self-defence groups and demanded that the army give them weapons to defend themselves. Marches also took place in Oran, Annaba, Constantine, Bejaia and Tizi Ouzou.

Intellectuals have been caught up in the confrontation between a *nomoklatura* which has held power and privilege for 30 years and the radical Islamists who say in their tracts that "those who criticise us with their pen will die by the sword".

Francis Ghiles and agencies report on the escalating violence that has claimed nearly 4,000 lives

Mr Said Allah Djaafar (the sword of God), one of the leaders of the GIA, recently told a magazine, that intellectuals were "apostates" who deserve the same fate as "Jews, Christians and foreigners who are part of a colonial plot to commit profanities on our country. If they are liquidated, that will destabilise the impious Algerian regime and help return the country to the reign of Islam as defined by the prophet Mohamed".

The GIA's most prominent victim in recent weeks was Mr Mohamed Alloula, the 53-year-old playwright and theatre director. He enjoyed popular success with one recent play, *Ladjaoud (The Veil)*. In 1968, at the height of Colonel Boumedienne's dictatorship, El Aleq (The Bloodsuckers), was a powerful satire of the country's all-pervasive bureaucracy.

Last year a psychiatrist, Professor Mahfoud Boucebbel, was warned against interpreting people's dreams by militants who claimed the Koran was the only source of truth. He spoke out against those whose aim was "to destroy science in the name of Islam". He was murdered last June.

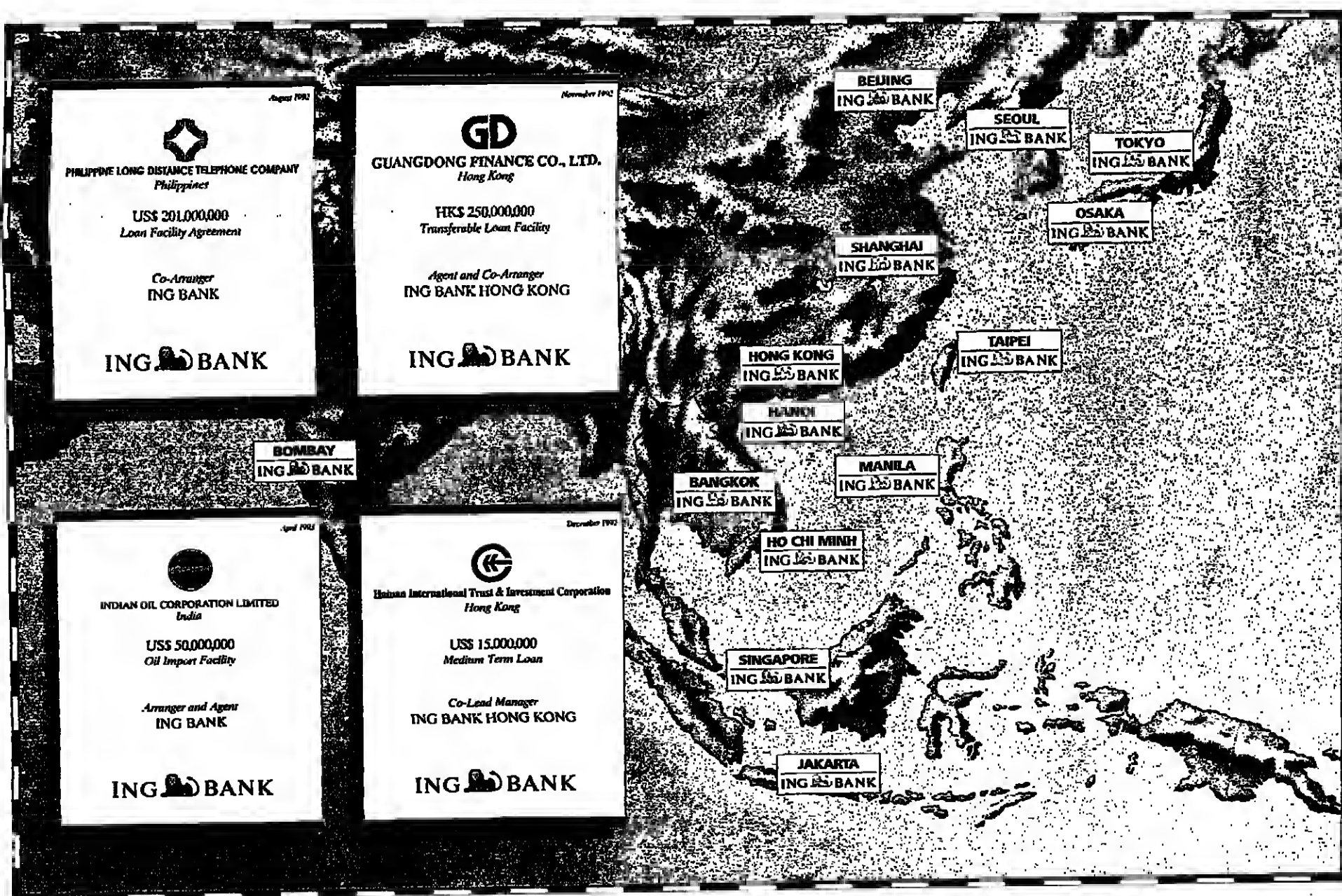
The knives used in these murders are redolent of sacrificial acts: "honour" can only be washed with blood, "witnesses" must be present at the "sacrifice".

Friends of the writer Mr Tuhar Djaut, who was murdered last June, and of Mr Alloula believe that in both instances a contract was put out to kill them. Contract jobs of this kind are increasingly frequent, usually carried out by young people. In some instances, they have been drugged before.

Recently, women have been targeted in acts of apparently random violence - usually raped, often murdered. Last month, a school girl of 17 was murdered as she was leaving school at Mefta, near Blida, south of Algiers. She had refused to wear a veil.

Two foreign wives of Algerian citizens have been murdered recently that they had converted to Islam was deemed of little consequence.

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NEWS: MEXICAN CRISIS

Murder raises spectre of political instability

Death of presidential front-runner comes on heels of Chiapas uprising, says Damian Fraser

The assassination of Mr Luis Donaldo Colosio, the presidential candidate of Mexico's ruling Institutional Revolutionary Party, is certain to have a traumatic impact on the country's political system.

Mr Colosio is the first major Mexican politician to be assassinated in more than 50 years. Coming after the New Year peasant uprising in the southern state of Chiapas, the killing is set to heighten national instability, jeopardising the already fragile economic recovery.

The replacement of Mr Colosio by another candidate will not be easy. Mexico's constitution prevents any official who has held senior government office within six months of the election from running for office. Unless the opposition parties agree to change the constitution, the list of credible candidates is small.

"The situation is extremely worrying," said Mr Sergio Aguayo, a political scientist at the Colegio de Mexico. "The crisis has shown up the weakness of Mexican institutions."

The effect on this August's presidential election is hard to predict. A weak candidate or a financial crisis could enable the opposition to mount a serious electoral challenge, putting at risk the PRI's 65-year hold on power. But the party's domination is entrenched and its popularity is higher than in 1988, making a defeat unlikely.

Mr Colosio, born in 1950 in the modest town of Magdalena de Kino, near the US border, was chosen by Mr Salinas as the ruling party's candidate

last November. While not considered to be as articulate and forceful as other contenders, he had long been favourite for the nomination and appeared to have the right mix of political and technocratic skills for the job.

He had recently begun the difficult task of distancing himself from Mr Salinas, calling for a decentralisation of federal powers, reform of the legal system, and a more active industrial policy. He had also made public safety a central theme of his campaign.

Two days ago his route to the presidency seemed secure after the charismatic Mr Manuel Camacho, the peace envoy to Chiapas, indicated he would not run for the presidency. Mr Camacho, a former foreign minister and mayor of Mexico City, had been passed over for the PRI's nomination in favour of Mr Colosio, but subsequently hinted he might seek the presidential nomination of an opposition party.

If the government is unable or unwilling to change the law on who can run for the presidency, Mr Camacho will be one of a handful of contenders in the ruling party to replace Mr Colosio. While he is by far the best known and the most experienced politically, he antagonised much of the party when he looked as if he was going to challenge Mr Colosio. Asked on Tuesday whether he was a member of the PRI, Mr Camacho enigmatically replied he belonged to the party of peace.

Mr Salinas - who, it is assumed will choose the new candidate as he chose Mr Colosio - may look for a less controversial candidate. Potential candidates include Mr Ernesto Zedillo, former education minister and Mr Colosio's campaign manager, and Mr Fernando Ortiz Arana, president of the PRI.

If the opposition agrees to change the law Mr Pedro Aspe, finance minister, Mr Emilio Gamboa, transport minister, and Mr Emilio Lozoya, energy minister, might be considered.



FORMIDABLE DUO: Luis Colosio (right) with his mentor President Carlos Salinas

All have disadvantages. Mr Zedillo, a Yale University economist, is known for his political inexperience. Mr Aspe has been widely blamed for the economic recession and is not popular. Mr Gamboa and Mr Lozoya are junior ministers, with little experience in economic policy, and are politically unknown outside a small circle in Mexico City.

Mr Zedillo is perhaps the narrow front-runner from this group. A former central bank official and budget minister, Mr Salinas could trust him with economic policy. He is close to Mr José Córdoba, Mr Salinas's powerful chief of staff, and having worked as Mr Colosio's campaign manager, has learnt to work within the PRI.

But Mr Zedillo has been widely criticised for his poor management of the Colosio campaign, and for political errors made when education minister. With the possibility of further political turmoil ahead, his nomination would involve risks.

Mexico's accession to the North American Free Trade Agreement and the creation of an independent central bank this year have reduced the president's room for manoeuvre in economic policy. But whoever is elected will still yield enormous power. The president dominates the executive branch, the judiciary, the Congress and has broad power to set government policy in almost all fields.

The return of uncertainty over who will take office next year could not have come at a worse time for the governing party. Mexico's economy has been stagnant for the past year, posting negative growth for the last two quarters. The government has been trying to revive the economy before the August elections by increasing spending and lowering interest rates.

Such a policy has already led to a substantial weakening of the peso against the dollar and recent outflows of foreign money. Mr Colosio's assassination and accompanying nervousness in financial markets may force the government to choose between further devaluation or higher interest rates that could choke economic recovery.

The economic woes are accompanied by a highly volatile political mix. The uprising in Chiapas is proving harder to resolve than the government had hoped. It reached a provisional agreement with rebels

last month, but landlords and rebel sympathisers have been caught in a bitter struggle over land and political power in the state.

On Wednesday the congress approved an historic political reform, which for the first time in 50 years would put the electoral institute, which judges the legitimacy of elections, in the hands of non-partisan citizens. However, Mr Cuauhtémoc Cárdenas, the presidential candidate of the leftist opposition Democratic Revolutionary Party, derided the reforms as insufficient.

In theory the reforms will make it difficult for the PRI to revert to fraud to win the election. Apart from giving the non-partisan officials control over electoral tribunals, it makes the parties' access to the media more equal, puts tight limits on campaign spending, and establishes a prosecutor for electoral fraud.

Mr Cárdenas's dissent raises the prospect of post-election protests if he claims there has been fraud. "Cuauhtémoc Cárdenas is distancing himself from the reform because he does not trust the government," said Mr Ricardo Pascoe, a close adviser. "He will not give up his right to veto the elections if they are not fair."

The PRI's replacement for Mr Colosio will have to grapple with a potentially aggressive Mr Cárdenas, the implementation of the political reforms, and at the same time reassure financial markets of his ability to run the economy for six years. It will not be an easy task.

Clinton offers help to stabilise currency

The US yesterday offered to help Mexico stabilise its currency should it prove necessary following the assassination of Mr Luis Donaldo Colosio, which President Bill Clinton deplored as "a senseless act of violence."

Mr Clinton telephoned President Carlos Salinas shortly after the news reached Washington. In a statement yesterday, he emphasised his convictions that Mexican institutions were "fundamentally sound."

He said he had asked Mr Lloyd Bentsen, the treasury secretary, to "make sure that if there was serious trading in the Mexican currency we could try to help stabilise that." The US Federal Reserve and the Mexican central bank have arrangements to combat wild swings in the exchange rate.

In a further gesture of solidarity, Ms Janet Reno, the attorney general, offered "any support that we can give" to Mexican authorities investigating the assassination.

Mr Arturo Valenzuela, Mexican desk officer at the state department, reflected the sense of shock in Washington by saying the assassination was "a significant tragedy."

"It is not something we should think in any way affects the stability of the Mexican political system, the Mexican government or the deepening relationship of the US and Mexico," he said.

Officials found it hard to see how the tragedy could affect the North American Free Trade Agreement that came into force at the start of the year. US opponents of Nafta, rattled by Congress after heated debate last November, had been critical of the democratic credentials and stability of the Mexican government.

But unless it emerges that Mr Colosio's assassin or assassin were agents of elements in the Mexican ruling party, the re-opening of Nafta seems highly improbable.

There was no immediate word in Washington of any US preference for a presidential candidate to succeed Mr Colosio. Most of the senior members of the PRI hierarchy are well known and respected in the US and Mr Colosio had been seen in the US as the logical successor to Mr Salinas.

Jurek Martin

MEXICO'S TURBULENT MONTHS

November 17, 1993: US Congress approves Nafta.
November 28: President Salinas appoints Luis Donaldo Colosio as party candidate for August elections.
January 1, 1994: Mexico accedes to Nafta. A rebel Indian group seizes towns in the southern state of Chiapas, Mexico's southernmost state. The rebels say they want democracy and better conditions for poor Indians.
January 3: The army claims to recapture four cities taken by rebels.
January 10: President Salinas appoints Manuel Camacho as Chiapas peace envoy.
January 10-16: Thousands march in anti-war protests in Mexico City.
January 12: Salinas declares unilateral ceasefire with rebels.
February 21: Negotiations begin with Chiapas rebels.
February 24: Rebels and Camacho announce tentative agreements on health, education, housing and respect for indigenous communities.
March 22: Camacho, though urged to run for the presidency, says he will not oppose Colosio.
March 23: Colosio is killed.

Affable leader short of political vision

Mr Luis Donaldo Colosio was an affable, courteous promoter who rose to prominence under the patronage of Mr Carlos Salinas, Mexico's current president.

Former congressman, senator, head of the ruling Institutional Revolutionary Party, social development minister and finally his party's presidential candidate, Mr Colosio began his rise through the ranks of the Mexican bureaucracy in 1979, when he first met Mr Salinas, then deputy budget minister. Mr Salinas took him under his wing and, after working together for many years, picked him to run his presidential campaign in 1988. From then Mr Salinas seemed to groom his quiet and affable colleague to succeed him.

Mr Colosio was put in charge of the PRI, masterminding the party's comfortable victory in the 1991 legislative elections. However, he failed to push through promised democratic reforms that would have required candidates to be selected in open primaries.

When made social development minister in 1992, Mr Colosio became clear favourite for the presidential nomination. He shared Mr Salinas's commitment to pro-market economic policy, was popular within the ruling party, and became closely identified with the government's showcase anti-poverty programme.

It was thought his easy-going

manner and modest northern roots would go down well with the electorate.

Nevertheless, Mr Colosio was criticised by rivals for having no clear vision independent of Mr Salinas, and for being unwilling or unable to defend a point of view in cabinet meetings. They said he had been chosen as presidential candidate because of blind loyalty to Mr Salinas, rather than any special leadership qualities of his own.

Such doubts grew after Mr Colosio was nominated presidential candidate. His campaign was quickly overshadowed by the peasant uprising in Chiapas, and the prominent role played in it by Mr Manuel Camacho, the peace envoy to the southern state.

In the past few weeks Mr Colosio began the difficult task of distancing himself from Mr Salinas, even criticising the excessive concentration of presidential power.

Mr Colosio, still young at 44, was unfailingly polite and courteous in public, and inspired tremendous loyalty from his advisers and friends. By the standards of Mexican politicians, he was modest, driving his own car, the city, and occasionally a Harley-Davidson motorcycle. But in unfamiliar situations he often appeared unsure of himself, and seemed happier listening rather than talking to people.

Damian Fraser

The size of Mexico's current account deficit, put last year at more than \$30bn (£13.6bn), has left it highly dependent on capital inflows from foreign investors.

Thus the assassination of Mr Luis Donaldo Colosio presages a period of uncertainty for Mexico's financial markets which could have important consequences for the country's economy.

With the passage in November of the North American Free Trade Agreement with the US and Canada and its coming into force at the start of this year, many foreign investors had expected to avoid the financial uncertainty which is usual in Mexico during an election year.

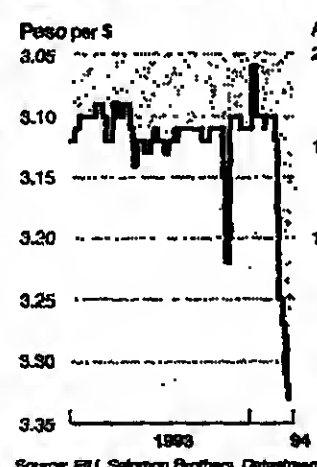
However, this optimistic outlook was shaken by the unexpected peasant uprising in the southern state of Chiapas, which started on New Year's Day, and by the uncertainty that it generated in the Mexican political system.

Mr Colosio's murder has dealt a further blow to this confidence, and through Mexico's own markets were closed yesterday - in an attempt to reduce financial market volatility - the prices of Mexican assets dropped sharply in New York.

The Mexican economic programme sponsored by Mr Carlos Salinas and Mr Pedro Aspe, his finance minister, was built on fiscal rectitude, a dramatic privatisation programme and a guarantee of economic stability ostensibly offered by Nafta.

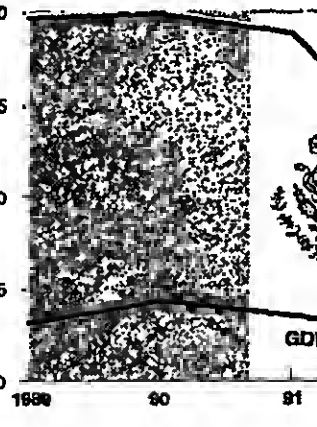
Critics have seen its weakness in its dependence on foreign capital - to support big current account deficits - and the policy of a strong exchange

Mexico: an economy under strain



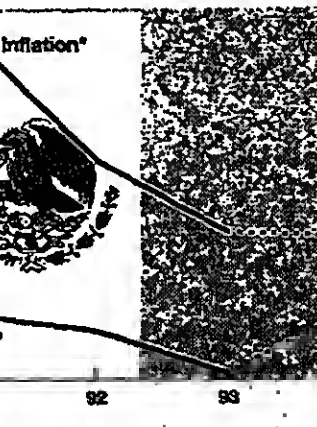
Source: ERI, Salomon Brothers, Datastream

Annual percentage change



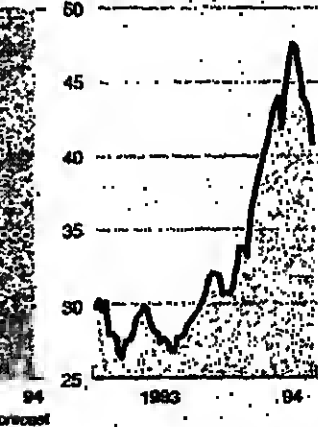
Source: ERI, Salomon Brothers, Datastream

Inflation*



Source: ERI, Salomon Brothers, Datastream

Stock market (IPC Index '000)



Source: ERI, Salomon Brothers, Datastream

rate to try to squeeze inflation out of the system. Furthermore, while inflation was brought down to single digits by the end of last year, growth also sunk to zero.

"They have tried to force a double-digit economy to have single-digit inflation," argued Mr Paul Luke, chief emerging markets researcher at Morgan Grenfell in London.

Joining Nafta this year was widely expected to allow the country to become a member of the Organisation of Economic Co-operation and Development, the so-called rich man's club of industrialised nations. It was also expected to pressure its upgrading by the main US rating agencies as an investment grade credit, significantly widening the potential investor base for Mexican bonds.

"A country that appeared on the verge of investment grade and joining the OECD suffers its first political assassination

since the ruling party took over in 1929. It's clear that the political agenda is longer than the markets thought," said Mr Luke.

The only US rating agency to assign an investment grade rating to Mexico's sovereign debt - Duff & Phelps - said yesterday that while volatility in Mexican financial markets could be expected in the aftermath of the assassination, Mexico's stable political institutions and fundamental good economic management justified the retention of its rating.

Financial markets were indeed volatile. The price of Mexican shares trading in international markets was marked down by 10 per cent in London trading, while the price of the country's Brady bonds - issued as part of its last restructuring - also fell sharply.

But there was some recovery of shares in later New York

trading. According to Mr Geoffrey Dennis of Bear Stearns in New York, Mexican issues traded in the US were 2-7 per cent down at mid-session yesterday.

Mr John Purcell, head of emerging market research at Salomon Brothers, said the market in New York appeared to be calibrating as the day progressed, helped by statements from President Bill Clinton and widespread confidence in the ability of the Mexican administration to deal with the crisis, he said. There would be some nervousness today as the markets reopened in Mexico, however.

The Mexican peso also weakened but in the absence of the Mexico City market, trading was thin and quotes hard to get. Mr Dennis said he believed the peso would trade close to its floor of 3.36 to the dollar today, making some intervention by the Mexican central bank necessary to keep it

within its permitted band. "I think the peso may test its floor, but I expect it will stay within the band," said Mr Lawrence Brannard of Goldman Sachs in New York.

Mexican reserves were last reported at \$29bn, giving some confidence that even a sharp attack on the peso could be withstood. The US has pledged to provide support for the peso if necessary.

Mexican interest rates were also expected to rise to defend the currency, although if they stayed too high too long, this would conflict with the government's other imperative of trying to revive the weak economy.

A quick announcement of the replacement candidate - most financial market observers appeared to favour the nomination of former budget minister, Mr Ernesto Zedillo - would also benefit stability.

Stephen Fidler

Mexico's violence claims a rare victim from politics

Mr Luis Donaldo Colosio was shot as he was leaving a campaign rally in the sprawling city of Tijuana, the fourth largest in Mexico, just over the border from San Diego.

He was Mexico's first presidential candidate to be assassinated since President-elect Alvarez Obregon was murdered in 1928. Since then Mexico had enjoyed remarkable political stability, with every president

having lived out his term, peacefully handing power over to his successor.

Inevitably there was speculation that the assassination, coming so soon after the New Year's peasant uprising in the state of Chiapas, had been planned by groups that were set on damaging the Mexican government, or seeking to replace Mr Colosio with a presidential candidate more

favourable to their interests.

As of yesterday morning there was no evidence of any conspiracy. Police in Tijuana arrested Mario Aburto Martinez on suspicion of the killing. Mr Aburto, 23, said he was a pacifist, claimed he had written several books, and would not talk even if he was tortured.

Police said he had shot twice from a .38 pistol, but have not

linked him to any group. The police also detained a second man, Vicente Mayoral, although it was not clear whether he was a suspect or simply a witness to the shooting. Mr Mayoral is a former police officer.

Given the widespread violence in Mexico, and the few security precautions politicians take, it was remarkable that so long had passed without such a

political assassination. In 1990 Mexico suffered 80.7 murders per 100,000 people, more than Brazil, and compared with 13.3 in the US.

Last year drug traffickers accidentally killed Cardinal Juan Jesus Posadas of Guadalajara in a shoot-out with a rival gang, according to the official explanation. Last week an unknown group of men kidnapped Mr Alfredo Harp Helu,

co-head of Banamex, Mexico's largest bank.

Tijuana, a city whose population thanks to migration and economic integration with the US has nearly tripled in 20 years to an official figure of nearly 900,000, is one of Mexico's most violent cities. Long known for its sleazy bars and nightclubs, it has more recently become a centre for drug traffickers, and home to

thousands of factories, and the shanty towns that surround them.

Mr Colosio was on the edge of one of the shanty towns when giving his last speech. Like all Mexican politicians he thought nothing of mingling with the crowd after giving his speech. That will now change.

Damian Fraser



Camacho: party might split

Party maverick has won popularity, and many enemies

Mr Manuel Camacho has never made any secret of his desire to be president of Mexico. When mayor of Mexico City he openly campaigned for the job. After being passed over for his party's nomination last year, he appeared to be on the point of challenging for the presidency from an opposition party before bowing to heavy pressure and finally withdrawing on Tuesday.

The assassination of Mr Luis Donaldo Colosio appears to give him another chance. Mr Camacho is the most experienced politician in the running, having held three cabinet positions over eight years. As peace envoy in the southern

state of Chiapas, he successfully negotiated a preliminary agreement with rebels that won him national popularity.

However, Mr Camacho has made many enemies over his career, and his recent flirtation with an independent candidacy has alienated him from the mainstream of the ruling Institutional Revolutionary Party. President Carlos Salinas would have to choose him over the PRI's objections, and risk a split in the party.

Mr Camacho is also, perhaps unfairly, mistrusted by many foreign and domestic investors. Critics in the government say he opposed some of the economic reforms proposed by Mr Salinas. He was against

scrapping rent controls in Mexico City, predicting (correctly as it turned out) that opposition to the reforms would be too great to overcome.

In an effort to counter such criticisms, Mr Camacho told the Wall Street Journal last week that Mr Pedro Aspe, the finance minister, and his "excellent team" should take part in a future government in Mexico. He committed himself to responsible fiscal and monetary policy, saying that without this Mexico's economy could not grow faster.

He is fond of reminding businessmen that he balanced Mexico City's budget while he was mayor, and presided over a

boom in property and services that his pro-business policies helped foment.

However, Mr Camacho offers a more interventionist economic policy than that followed by Mr Salinas, although not unlike that proposed by Mr Colosio. Mr Camacho advocates an activist industrial policy that would promote economic growth and employment, and enable the poorer south of the country to compete under the North American Free Trade Agreement.

Mr Camacho's central interest is in bringing about what he calls a democratic transition in Mexico. He takes credit for the recent agreement between political

parties for democratic reforms. He says the peace agreement in Chiapas - which will lead to important political, economic and legal reforms there - should be a model for the rest of the country.

While mayor of Mexico City, Mr Camacho enjoyed good relations with the leftist opposition - better, some say, than the relations he had with his own party. If selected as the PRI's presidential candidate, he would probably aim to gain the trust of the opposition by seeking to create conditions for a fair and trouble-free election.

Damian Fraser

Philip Morris sues over TV tobacco claim

By Patrick Haveron
in New York

Philip Morris yesterday filed a \$10bn (£3.7bn) libel lawsuit against the US television network ABC alleging an ABC current affairs programme broadcast false and defamatory statements last month when it claimed the tobacco manufacturer was adding extra nicotine to its cigarettes to make them more addictive.

The lawsuit is the latest offensive by Philip Morris and the US tobacco industry, which is facing increasingly intense opposition to its cigarette products from politicians and anti-smoking groups. In the past year, Philip Morris has sued the city of San Francisco over its strict anti-smoking laws and the Environmental Protection Agency for its claims that second-hand cigarette smoke causes cancer in non-smokers.

The industry also faces a tough fight in Congress over President Clinton's plan to help pay for healthcare reform by sharp rise in cigarette tax. In its lawsuit against ABC, Philip Morris says that on February 28 the network's Day One current affairs programme claimed the company was "splicing" its cigarettes with extra nicotine in order to keep smokers "hooked". Philip Morris says ABC made the allegations even though it knew

them to be untrue, and that the network subsequently repeated the claims in later programmes.

There was no immediate reaction from ABC yesterday, but Wall Street was unmoved and shares in the network's parent company, Capital Cities/ABC, fell 15¢ to \$7.18.

Philip Morris said it was seeking \$50m in punitive damages, and another \$50m as compensation for the impact the allegations had on the company's share price, which dropped \$2 to \$56 in heavy trading the day after the ABC broadcast. Philip Morris also noted that after ABC made its allegations, members of Congress called for investigations into cigarette manufacturing processes, and both President Clinton and Mr David Keiser, head of the Food and Drug Administration, expressed concern about the story.

One reason why the share prices of Philip Morris and other tobacco makers fell sharply following the Day One item was that the programme prompted a suggestion by the FDA that if the allegations of "splicing" were true there might be a legal basis for regulating cigarettes as a drug.

Philip Morris insists that while nicotine occurs naturally in a tobacco leaf, it does not add extra nicotine to cigarettes during production.

If Cardoso runs, Brazil may pay

Angus Foster reports on inflation's foe tempted by the presidency

Mr Fernando Henrique Cardoso was recently asked what it was like to be Brazil's finance minister, a tough job in a country plagued by near hyper-inflation and discredited governments. "It's not the worst job in Brazil, it's the worst in the world," he said.

After lasting nearly a year in the post - something of a record for a Brazilian finance minister these days - Mr Cardoso appears to be preparing to quit. Under Brazilian law he must do so by April 2 if, as widely expected, he wants to run for president in elections in October.

But it is a difficult decision. Mr Cardoso's patiently negotiated plan to bring down annual inflation of 2,500 per cent is not yet fully in force. Economists say the plan is the most promising in recent years. But key elements, such as a balanced budget, remain vulnerable to election-year calls for higher spending.

In an otherwise weak government, Mr Cardoso is seen as the only politician able to resist those calls. Even if he chooses his successor as finance minister, the plan may still be in doubt.

His Brazilian Social Democrats party (PSDB) is small and has so far failed to cement an alliance with a larger grouping. This is partly because of uncertainty about the plan, which is seen as crucial to Mr Cardoso's election chances.

But inflation is unlikely to fall until the plan's final phase and the launch of a new cur-



Finance minister Cardoso: 'The worst job in the world'

rency, probably in May. Mr Cardoso must therefore decide whether to run without knowing if he has done enough to hope for victory.

"He is under tremendous pressure from all sides," according to a member of Mr Cardoso's economic team. "His party wants him to run. But it could seriously damage the plan and our first real chance for ages to bring down inflation."

Mr Cardoso, 63 this June, is one of the outstanding Brazilians of his generation. Born into a military family, he trained as a sociologist and later taught at the University

of California at Berkeley and Cambridge. His best known work explored "dependency", a theory which sought to explain Latin America's underdevelopment as a consequence of the continent's dependence on capital and technology from the US and Europe.

His links with the left incurred the ire of Brazil's military rulers in the mid-1970s and he was banned from teaching at the University of São Paulo.

When democracy returned in 1984, Mr Cardoso switched from academia to politics. After losing the race for mayor of São Paulo, he was elected a

senator in 1988. Two years later he helped found a new political party, the PSDB.

Unusually in Brazil, the party and Mr Cardoso have a reputation for clean government. Their policies are slightly left of centre and include social welfare reform and income redistribution. But personally rather than ideology wins Brazilian elections. Mr Cardoso's supporters claim he alone can attract popular support from both the left and right.

Observers believe Mr Cardoso's broad appeal would provide a strong challenge to either the current presidential favourite, Mr Luiz Inácio "Lula" da Silva of the left-wing Workers' party (PT), or a right-wing candidate such as Mr Paulo Maluf, mayor of São Paulo.

His political strength stems from his experience and prestige in Congress. As finance minister he has persuaded Congress to back his economic policies, even though the government relies on a weak coalition for support. He has also managed, at least so far, to persuade Congress of the need for a balanced budget to fight inflation.

Fernando has a great capacity of persuasion. He is the first person to persuade the Brazilian public that the deficit is important," says Mr Antonio Delfim Netto, a former planning minister whose views have often not coincided with Mr Cardoso's.

His other advantage is that, as a member of the country's

élite, he has a natural appeal among Brazil's middle classes and the media. Both groups are wary of Mr da Silva's strong showing. Mr Cardoso has also won support from some São Paulo businessmen, who would normally be wary of his soft-left views and intellectual background.

There are still large question marks over Mr Cardoso's candidacy. The most important is whether, as an intellectual and member of the élite, he can attract enough support among workers. Although good on television, he is not a natural orator and is uncomfortable with crowds. Last month he appeared on a down-market TV game show. He looked awkward and out of touch with the studio audience of housewives.

This drawback may be especially acute in the country's economically backward north and north-east regions, where more than a third of the country's 90m electors live. According to the latest opinion polls, Mr Cardoso would lose badly to the more populist Mr da Silva in all states in that area. Nationally, Mr Cardoso trails Mr da Silva by 31 per cent to 47 per cent. But in big north-eastern states such as Bahia Mr Cardoso's support falls to 21 per cent.

Mr Francisco Weffort, a political scientist and PT supporter, describes Mr Cardoso as "a first rate politician with a vision of modernisation". "But he just doesn't know how to link emotionally with the masses and in this country that's important," he says.

Whitewater hearings 'to begin by May'

By Jurek Martin in Washington

Senator Bob Dole, the Republican leader, yesterday predicted the US Congress could begin its investigation into the Whitewater affair by May 1. He foresaw separate hearings by both House and Senate.

The prospect of congressional hearings was certain to be raised at last night's prime time televised press conference, which President Bill Clinton called to lay before a national audience his explanation of his past investments in Arkansas and the many offshoots from it.

Polls yesterday indicated the Whitewater affair is eating into Mr Clinton's popularity rating. The Washington Post-ABC poll recorded a drop in approval to 47 per cent, 11 points below last month's levels. Other surveys have also shown an erosion in support to around 50 per cent.

According to the poll, which surveyed 1,004 adults between last Friday and Tuesday, 47 per cent of Americans approve of Mr Clinton's handling of the presidency while 45 per cent disapprove and 7 per cent have no opinion.

Most polls show a public generally unpersuaded that Whitewater entails serious wrongdoing on the part of the president or his wife. But each day seems to bring some new reported allegation or distracting event. Yesterday, for example, two senior White House aides, Mr George Stephanopoulos and Mr Bruce Lindsey, told a federal grand jury what they knew about meetings at which the state of regulatory investigations into a failed Arkansas savings and loan company were discussed.

The White House has also been obliged to reassign internally one of its top lawyers, Mr William Kennedy, after it was revealed he had failed to pay social security taxes for a household employee. Mr Kennedy used to work for the Rose Law Firm in Arkansas, where Mrs Hillary Clinton was a partner. Some Republicans have demanded his dismissal.

Healthcare reform manages a few steps through Congress

By George Graham in Washington

After weeks in which the Whitewater affair has seemed to drain all vitality from President Bill Clinton's legislative agenda, Washington looked up this week to discover that several steps had been taken towards the president's number one goal of healthcare reform.

Late on Wednesday night, the first complete healthcare reform bill was voted through by the health Ways and Means subcommittee, chaired by Congressman Pete Stark of California, which has primary rights

over the tax aspects of the plan. That draft is likely to be substantially rewritten by the full Ways and Means committee, and then hammered some more to fit with the drafts of other House of Representatives committees. The same process is under way in the Senate, and the final shape of the bill will be determined when the two chambers get together to reconcile their different versions.

The Stark committee's vote, by only a 6-5 margin, offers, nevertheless, a first symbolic victory for some central elements of the Clinton plan: universal health coverage ensured by requiring employers to offer insurance to their employees and pay for 80 per cent of its cost.

That requirement would begin in 1996 for businesses with 100 or more employees, and two years later for smaller employers. To finance the bill's broader health coverage, however, the subcommittee voted to raise the cigarette tax from 24 cents a pack to \$1.49, much more than the 75 cents increase proposed by Mr Clinton.

Congressman Dan Rostenkowski of Illinois, chairman of the full Ways and Means committee, warned that he was likely to pass out a much more conservative bill than Mr Stark's subcommittee.

Another important version of the bill is circulating in the House Energy and Commerce committee, chaired by Congressman John Dingell of Michigan. That version would preserve universal health insurance, but eliminate two controversial elements of the Clinton plan: mandatory government-run health insurance purchasing alliances, and for businesses with fewer than 10 employees, the requirement that

employers provide insurance for their workers.

White House officials are now stepping back to leave most of the detailed work on healthcare reform to such congressional heavyweights as Mr Dingell and Mr Rostenkowski.

Republican members of the Ways and Means subcommittee engineered a symbolic defeat for the White House by forcing a vote on the unaltered Clinton plan: with Democratic members abstaining, it lost.

But this procedural manoeuvre seems unlikely to have done very much to clarify the Republican

strategy on healthcare reform.

As Congressman Bill Thomas of California, senior Republican on the subcommittee, lucidly explained: "Please listen to me, because I don't want anyone to think that what we're doing is what we're doing."

Beneath their continued hostility to the Clinton plan, most Republicans have now accepted the goal of universal coverage. Many acknowledge privately that it will be very difficult to achieve that goal without also adopting large portions of Mr Clinton's bill, or something even less palatable.

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Cellnet MD finds 2,000 new customers a day

Mobile market to reach '3m users'

By Andrew Adonis

Cellnet, the second largest mobile phone operator in the UK, has passed the million subscriber mark, with net new connections growing at twice the rate of a year ago.

After record growth in the run-up to Christmas, Cellnet had expected a sharp slowdown in new connections. But it is projecting 70,000 gross new subscribers for this month, only a small decline from 84,000 in December.

By the end of this month Cellnet, a joint venture between British Telecommunications and Securicor, will have added a net 110,000 subscribers to its network since the beginning of January, compared with 56,000 in the first three months of last year.

Vodafone - the largest cellular mobile operator, with more than 1.1m subscribers - is reporting similar growth. Last month it said that it made

58,000 gross new connections. Mr Bob Warner, Cellnet managing director, predicted that total UK cellular subscriber numbers would reach 3m by the end of the year - up from 2m at the end of 1993.

"Two years ago we were adding cellular customers at the rate of 2,000 a month; now it is 2,000 a day," he said.

Most analysts attributed the rapid growth in cellular subscribers at the tail end of last year to sharp tariff cuts, a fall in the price of handsets, a pre-Christmas rush, and the launch in September of Mercury One-2-One, a third cellular operator offering free calls at evenings and week-ends inside the M25 area.

However, the continued boom points to strong underlying growth, in particular the entry of the mobile phone into the consumer market.

The UK's cellular market is growing in line with that in the US and on the Continent.

According to the FT's mobile communications newsletter, the number of western European subscribers grew 63 per cent in the year to February 1, with new networks exposing former monopolies to competition in most of the European Union's larger countries.

The UK now has about 3.5 cellular subscribers per 100 people, ahead of Germany (2.3) and France (one), but behind the Scandinavian countries, which have between seven and 10 subscribers per 100 people.

The launch next month of Orange, the UK's fourth cellular network, is expected to give a further boost. Orange, a joint venture between Hutchison Whampoa and British Aerospace, will cover more than half Britain's population at launch.

Orange handsets are likely to be more expensive than those for the analogue networks but are likely to compensate with cheaper operating costs.

EU court backs ban on outside lotteries

By Raymond Snoddy

A potential threat to the planned National Lottery was lifted yesterday by the European Court of Justice.

The court decided that the government's ban on the advertising and sale of tickets in the UK for large foreign lotteries was legal. The decision has implications for state lotteries throughout the European Union.

The Office of the National Lottery is currently studying eight applications for licences to run the lottery in the UK. It is due to start late this year or early next.

Had the European Court forced a lifting of the ban, it could have caused confusion in the market, with operators from other EU countries including Ireland being free to sell tickets in the UK with the prospect of millions of pounds in prizes.

The case arose in 1990 when British Customs and Excise officers seized lottery tickets sent to the UK by Mr Jörg Schindler, a sales agent for the German state-supervised Sueddeutsche Klassenlotterie. Mr Schindler claimed that the seizure contravened the Treaty of Rome on the free movement of goods throughout the EU.

The UK, backed by at least eight other EU members, argued that lotteries intended to raise money for good causes were issues for individual national social policy.

The European Court ruled that EU laws did not preclude legislation such as that which has been introduced by Britain "in view of the concerns of social policy and of the prevention of fraud which justify it".

More foreign banks choose UK

By Alison Smith

The number of foreign banks in London topped 500 for the first time last year, enhancing the city's status as Europe's most significant financial centre.

According to a survey by Noel Alexander Associates, a consultancy which specialises in financial statistics, the 15 foreign banks which disappeared from London either through leaving or through mergers and takeovers, were more than offset by the 38 which arrived. The number of foreign banks in London is 514.

The survey, which is published each year, reflects the changes to international banking in London, with much of the activity coming from eastern Europe and from Asia.

Two of the new banks that opened were from Russia; two were from the Czech republic; one from Yugoslavia, one from Slovenia. Two were from China, three were from Hong Kong and one was from Thailand.

Six of the 15 banks which disappeared did so as a result of mergers and takeovers. Western European banks accounted for five of these, with the remaining one being the takeover of the Canadian bank Royal Trust Bank by Royal Bank of Canada.

Seven of the nine banks which moved out of London were from western Europe.

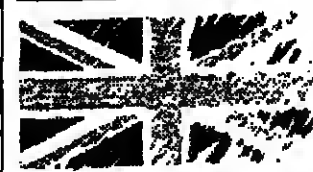
Last year also saw the first increase in the number of US banks in London since 1982, as four US banks opened in the city. Even so, that takes the total back only to its 1991 level of 48, which itself was lower than every year since 1971.

The number of Japanese banks also rose again slightly, after a drop of two in 1992, to reach 54 in total.

Noel Alexander says that London has a higher number of foreign banks than any other city, including New York and Tokyo.

New foreign bank offices in London is published by Noel Alexander, 6 Broad Street Place, Blomfield Street, London EC2M 1JU.

Britain in brief



Private rail project one step nearer

The £200m modernisation of British Rail's west coast mainline moved a stage closer yesterday with the announcement of the award of a £3m to £4m feasibility study to a consortium of four engineering, consultancy and finance companies.

Railtrack, which takes over BR's track and signalling, said the seven-year project to upgrade the 480-mile west coast line, would set the pattern for the private-sector management and financing of large railway contracts. It will also be an important test of Railtrack's ability to manage a project of this scale.

The nine-month study will be carried out by West Coast Main Line Development Company, comprising Brown and Root, a project management company; Sir Alexander Gibb, a civil engineering consultancy; Booz, Allen and Hamilton, an international consultancy; and Babcock and Brown, a specialist in transport finance.

The consortium, selected from a shortlist of six, will look at how best to improve the track, power supply and signalling on the line and how to raise private sector finance in a way which is acceptable to the Treasury.

'Gizmos' cut car values

Used car buyers are coming to fear expensive new technology to the point where standard models are starting to have a higher resale value than top-specification vehicles of the same type loaded with 'gizmos', a senior executive of Glass's Guide, the used car values directory, said.

Mr Leslie Allen, director and managing editor of the guide, also predicted that the current higher resale value of diesel cars compared with petrol counterparts will have been eliminated by the middle of next year, as supply and demand for diesel cars come into balance.

The conclusions being reached by Glass's about developing technophobia in the used car market are potentially very bad news both for volume car makers, who

earn high margins on vehicles laden with electronic systems, and specialist executive and luxury car makers.

The volume producers already face having to make less well-equipped new cars arising from new company car tax legislation which links employees' personal tax bills directly with cars' list prices.

Farmworkers get 4.9% rise

The Agricultural Wages Board has awarded farm workers a 4.9 per cent pay rise from June - double the average rate for manual workers' pay settlements this year.

Some farmworkers said they believe the large increase in pay comes as the board believes its days are numbered. The board's most recent awards have been more modest - between 2 per cent and 3 per cent. Mrs Gillian Shephard, agriculture minister, said she hoped statements on the future of the English and Scottish agricultural wages boards would be made next week.

The pay settlement which will cost the farming industry £54.5m this year, was restated by employers' representatives on the board.

'Polluter pays' code begins

The cost of monitoring and inspecting landfills - licensed rubbish dumps - will be transferred from the taxpayer to waste management companies on May 1, Mr Robert Atkins, environment minister, said.

The new charging rules are part of the government's much-postponed waste management licensing regulation. Mr Atkins said that the imposition of charges on the companies operating landfills was "an important extension of the 'polluter pays' principle".

New guidelines for salesmen

Tough guidelines designed to stop personal pensions salesmen evading their responsibility to give proper advice to clients are to be published shortly.

The guidelines are part of a wider effort to restore public confidence in the selling of personal pensions to people transferring out of occupational schemes. A report published by the Securities and Investments Board, the City's chief watchdog, will impose stricter rules on sales agents.

ABB unit says 1,300 jobs in danger

By Charles Betchelor, Transport Correspondent

ABB Transportation, the manufacturer of railway rolling stock which is part of the Swiss-Swedish Asea Brown Boveri Group, announced plans to make nearly 700 employees redundant and warned that a further 600 jobs may also be necessary.

The first round of job losses follows completion of a contract to modify diesel trains for BR Regional Railways and the tailing off of an order for London Underground's Central Line. A

second round will be necessary if ABB fails to win an order to supply 100 trains for the underground's Northern Line.

London Underground, along with Conservative and Labour MPs and a consortium of London businesses have urged the Treasury to allow the £740m Northern Line contract to go ahead as part of the government's private finance initiative. The Treasury has said that the project does not meet its requirements for the transfer of risk to the private sector.

Mr Bo Sodersten, ABB chief executive, said: "It is desperately disappointing for the company to be in this position. We are doing everything we can to secure orders."

ABB, formerly British Rail Engineering, employs 5,400 people in Derby in the Midlands, Crewe, in the north-west, and York, in the north. A total of 2,500 work at the Derby Carriage Works, which will be hit by the redundancies.

ABB announced a pre-tax loss of £9.8m on turnover of £518m from its UK businesses in 1993. The losses include £12.4m to meet redundancy

and other restructuring costs. Mr Wilf Froudford, assistant general secretary of the Rail Maritime and Transport Union, said: "It takes a special kind of incompetence to eliminate skilled manufacturing jobs when years of work rebuilding our railways is available."

Mr Frank Dobson, opposition Labour party transport spokesman, said the redundancies were "a direct result of rail privatisation which has dried up train orders and the government's dithering over London Underground's train leasing deal".

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as "the Director") pursuant to Section 11(2) of the Electricity Act 1989 (c29) (hereafter referred to as "the Act") hereby gives notice as follows:

- He proposes to make a modification by the insertion of two additional Conditions (13 and 14) into the Licence granted under Section 6(2)(a) of the Act to Yorkshire Electricity Group plc (hereafter referred to as "the Licensee") on 8 June 1990. This modification will insert into the licence conditions in the same form as conditions 13 and 14 in the licence granted to Eastern Generation Services Limited on 17 May 1993 under Section 6(1)(a) of the Act except that in both conditions "20 May 1996" will be replaced by "1 May 1997".
- The effect of the modifications will be to grant to the licensee the powers and rights conferred by or under the provisions of Schedule 3 (compulsory acquisition of land etc) and 4 (street works, wayleaves and other powers) of the Act subject to limitations similar to those imposed in other licences including such powers issued by the Director under Section 6(2) of the Act.
- The Director proposes to make the modification in response to a request for them from the licensee. It is his policy normally to grant such powers if asked.
- Copies of Condition 13 and 14 as they appear in Eastern Generation Services Limited Licence are available free of charge from the Office of Electricity Regulation at the address given below.
- Any representations or objections to the proposed modifications may be made on or before 25 April 1994 to the Director at the Office of Electricity Regulation, Hagley House, Hagley Road, Edgbaston, Birmingham B16 9QG.

Dr E C Marshall
duty authorised on behalf of
the Director General of Electricity Supply
25 March 1994

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Milvina Dean, 82, who survived The Titanic as a baby, with Admiral of the British Fleet Lord Lewin. Right: The Titanic as it left Southampton on April 10 1912

Small barge may continue Titanic story

By Christine Buckley

Harland & Wolff, builders of the Titanic, look the favourites to build a floating barge for artefacts raised from the wreck.

But the Belfast company, which made the original liner that sank on its maiden voyage in 1912, would be working to a slightly reduced scale if the deal is struck.

The Northern Ireland shipbuilder has been approached by US company RMS Titanic to make a barge for a world tour

of exhibits from the ship. The New York company, which funded a recovery operation on the wreckage of the Titanic, wants the barge to feature replicas of parts of the ill-fated ship which claimed 1,563 lives when it struck an iceberg.

Mr Arnie Geller, president of the RMS Titanic, said yesterday that an announcement would be made shortly but would not say if the Belfast shipbuilder will win the contract. Harland & Wolff, which retains original plans for the

liner, would be well-placed for such a task.

Mr Peter Harbison of Harland & Wolff said that if a deal were agreed "it would be just another barge". He was unable to comment on the progress of the talks.

The Titanic world tour is scheduled to set sail in May next year after the exhibits have finished a six-month spell at the National Maritime Museum in Greenwich, south London. The museum is close to the Royal Observatory, through which runs the Green-

wich Meridian, from which is measured Greenwich Mean Time.

Ms Gillian Hutchinson, curator of the exhibition, which starts in October, would probably equal that for the Mary Rose - Henry VIII's flagship - which also sank on its maiden voyage. "It is not the largest exhibition of a ship's contents ever staged but it will certainly attract a lot of interest because of which ship it was."

After Greenwich the Titanic exhibition embarks on a world

tour which could last up to 10 years. "It will last at least five years and maybe up to 10 since the interest has been phenomenal," said Mr Geller.

Organisers are preparing an itinerary that will take in at least 30 major cities worldwide.

The recovery programme from the wreckage of the Titanic, which cost \$12m, yielded more than 200 exhibits ranging from the telephone that was on the ship's bridge to funnels and personal belongings including letters written by the passengers.

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Renault, Ford and Volvo in price move

Mr Iain Macdonald, a member of the council, accused other councillors of agreeing to the loan after minimal consultation. "We were railroaded, we were dancing to their tune."

Some carmakers are cutting or eliminating dealer margins on selected models to reduce list prices and intensify competi-

There are still only a handful of examples of such moves, which have been led by Volvo, Renault and Ford, but car-makers and dealers believe the new pricing initiatives could eventually have a fundamental impact on the relationship between the manufacturers and the retail motor trade.

That could also affect the tax revenue take from company car tax, as the new company car tax scheme to be introduced next month is based on the list price, rather than the transaction price, which normally would include a significant discount.

One of the first moves has been made by Volvo, the Swedish carmaker, which has eliminated the previous 10 per cent dealer margin on the 1.6 litre Volvo 440/460, the cheapest in cars its range.

Before the move these models had an on-the-road price (including delivery charge) of £10,565. This has been cut to £9,870, allowing dealers to advertise a new Volvo at under £10,000. Instead of the margin, Volvo dealers are now being given a handling charge of £130 per car for these models, which still count in a dealer's total sales and qualify for the monthly volume bonuses given if the dealer reaches sales targets set by the manufacturer.

Renault, the French carmaker, has taken similar action on some of its cheapest Renault and Clio models, but offering a higher handling charge to dealers.

Perhaps most significantly, Ford, the market leader, has taken similar pricing action for the launch of its new Ford Probe coupé. The cheapest model is priced at £15,995 and dealers are being given a handling charge of around £1,000. Ford insisted last night that it had no plans to spread this practice across its range.

The traditional red London bus will remain a familiar sight, even after the privatisation of the capitals' 10 bus companies, according to Mr Steven Norris, transport minister for London, pictured left yesterday at the Wellington Arch, Hyde Park.

Private tendering of many London bus routes has already led to a proliferation of liveries which threatened to displace the familiar red bus from the streets of the capital.

Launching the sale of the bus companies, Mr Norris said the traditional livery was "a source of pride for Londoners and a distinctive part of the London scene"

How many of the red buses will be double-deckers is less certain however. Single-deckers and mini-buses, which are nippier and cheaper to operate, have been replacing them in recent years.

Arms ju

Sir Nicholas Lyell's position as UK attorney-general came under renewed pressure yesterday when Lord Justice Scott challenged the government's conduct of the Matrix Churchill case at the heart of the arms-for-Iraq inquiry.

In his most sustained cross-examination since the inquiry began, the judge repeatedly clashed with Sir Nicholas over his interpreta-



tion of the law on the use of public interest immunity (PII) and its application in the Matrix Churchill case.

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tion of the law on the use of public interest immunity (PII) and its application in the Matrix Churchill case.

Sir Nicholas read a statement in which he defended his role as the government's legal adviser in a case that saw ministers attempting to withhold documents which the defence considered vital.

Sir Nicholas said that suggestions that ministers suppressed documents to save themselves while risking that the defendants be sent to jail

was "utterly untrue". Ministers had acted "consistently and in accordance with the duty placed on them by the courts".

The exchanges focused on the advice given by Sir Nicholas to the four ministers who signed PII certificates that they were under a duty to do so and could not use their discretion in the matter.

This was repeatedly challenged by Lord Scott. At one point the judge described the attorney's argument that ministers could not disclose sensi-

tive documents without being advised to do so by counsel as a "proposition which has no legitimacy or authority"

Sir Nicholas's attempts to present a coherent defence appeared to weaken as he was forced to qualify a statement made earlier in the day. He also conceded that the judge's proposal that the PII system

The statement had seemed to suggest that Sir Nicholas did accept after all that ministers

did have some discretion in these matters.

Sir Nicholas told the inquiry that a minister with "an instinct for justice" and who

disagreed with the advice he received could "in conscience refuse to sign if he thought that the "clear" balance in the interest of justice lay with disclosure of documents.

But he said later that this was not intended as a comment on the Matrix Churchill case where it was not clear where the balance lay.

MANAGEMENT

Telecommunications used to be about plain old telephones - providing enough of them, making sure they worked, and installing the latest network gadgets to upgrade the connections. Only one organisation did the job in the UK: British Telecommunications - the Post Office as was.

Little has changed, surprising as it may seem given all the current hype. Most people still use the telephone line to speak to someone, not to indulge in multimedia wizardry. And after 10 years of supposed competition, the overwhelming majority of people in the UK still subscribe to BT for the service.

So what has the competition been up to? A decade ago Mercury, BT's main rival, set out to be "BT Mark II". It built a national network from scratch; it boasts a powerful brand name, courtesy of Harry Enfield; and it has had considerable success in luring off business from BT in the City of London.

Beyond the City, however, its impact has been patchy. Mercury has only 780,000 residential customers to match BT's 20m. And its ability to continue guaranteeing percentage price savings over BT is bound to come into question as BT's costs and prices tumble.

Time for a strategy rethink, perhaps? Mercury itself thinks so, but Mike Harris, the company's youthful chief executive, is going about it in a highly unconventional way. His rethink is engaging all 10,500 Mercury employees in a giant reorientation exercise called "Imagine 1997".

The idea is simple: Mercury needs to banish the BT Mark II spectre, create a new vision of where it wants to be in three years time, and get there. The key to the exercise is that it should be everyone's vision, not just Mike Harris's. As Peter Roche, head of the independent San Francisco-based consultancy masterminding "Imagine", puts it: "Everyone needs to be able to create the vision for themselves if it is to succeed."

"The" vision, note - not "their" vision. No one pretends that Mercury can afford 10,500 different visions, or that "the" vision would have sprung like a genie from their collective imaginations. Harris and his executive team had the vision last year, "Imagine 1997" is to make everyone else think it was their idea too. The French philosopher Jean Jacques Rousseau talked, chillingly, of "forcing people to be free". "Imagine" is a more benign version of freedom forcing.

Roche has plenty more slick phrases to describe "Imagine". Mercury needs a new "strategic intent" to replace BT Mark II; now that it has got one, it is in a "moment of discontinuity" requiring "continuous change"; that means "working backwards from the future", engag-



Mike Harris: the perfect bedside manner as well as vast amounts of enthusiasm and time

Imagine all the people

Mercury's strategic rethink has become a rallying point for its 10,500 employees, writes Andrew Adonis

ing employees in a "network of conversations", of which "Imagine seminars" are the most important.

The status quo is not an option: "If they work more, longer, harder, better at what they are doing now, they won't realise their objectives."

None of which is particularly new. W. Edwards Deming's celebrated "14 points for Management" long ago paraded the proposition "that everyone in a company must be put to work to accomplish a firm's transformation".

Whatever Mercury's employees think of all that, they find the "Imagine" seminars rewarding. Senior staff attend a three-day "Imagine 1997" seminar, the rest a one-day seminar. The purpose of the seminars is partly to "Imagine" the Mercury of the future, partly to present its leaders as more approachable and open to suggestions than employees had previously imagined.

This last aspect appeals particularly strongly. The average age of the company's employees is only 33; Harris is 45, looks younger, and has

the perfect bedside manner. He has thrown vast amounts of his own time into the process: about a fifth of his diary has been blocked out for "Imagine" activities over the past year, much of it leading seminars. Every six weeks he calls together his most senior 150 managers to review progress.

Harris's attitude is a refreshing change for an industry mostly led by lifelong engineers or telecoms bureaucrats reared in the monopolistic culture. He made his name setting up First Direct, the telephone bank, and views telecoms like any other consumer industry. "I can't see a single difference between marketing a bank and marketing a telecoms company," he says.

"This is an extraordinarily lively place anyway," he is quick to add. "Unlike banks, which have traditions going back a hundred years, we are still young and flexible."

But what does Harris imagine will set Mercury apart from BT by 1997? Distilled, the new vision

amounts to a series of slogans: "taking a leadership position in the industry as it emerges in 1997"; "multimedia"; "open networks"; "differentiated services" - "differentiation on services not just price".

As Mercury put it to the House of Commons trade and industry committee earlier this week: "Our strategy is to lead the UK development of the multimedia industry."

Since BT mouths identical slogans and objectives, "Imagine" is hardly an escape from BT Mark II. Harris insists, however, that the process has generated a fierce determination to be free of BT's shackles, one result of which is an ambitious project to build radio local networks for fixed phones. If they work at the required quality - a big "if" - Mercury will be able to deliver its calls by-passing BT entirely.

BT Mark II or not, it does not undercut the value of "Imagine" as a tool for employee motivation. For remember Roche's definition of power: the velocity with which you realise your intentions.

CHRISTOPHER LORENZ

Dissent in the measurement ranks



Peter Drucker believes the next big wave in management after process re-engineering, will be measurement. For once the great prophet seems to be behind the times. Evidence that the boom has already arrived is everywhere: in the fashion for "benchmarking" and other total-quality measures that have been growing for almost a decade; in the more recent take-off of activity-based costing (ABC); in the search for balanced score cards of physical as well as financial measures; and in the growing popularity of performance measurement - the translation of business objectives into detailed measures of departments, teams and individuals.

The twin reasons for all this activity are self-evident. First, organisations of all kinds are under enormous pressure to improve performance and that of their constituent parts: businesses, processes, departments, teams and individuals. Second, the falling cost of information technology allows a range of measures to be made relatively cheaply.

This all creates a rich hunting ground for accountants and other consultants. But is it altogether healthy for their client organisations? What should organisations measure? How often, and in how much detail? Is Harvard's Robert Kaplan, the great evangelist for ABC and balanced score cards, right that "what you measure is what you get"?

Both sides of the argument have been put persuasively in the past few weeks. Peter Chadwick, a continuous improvement consultancy operating in Britain, France and Germany, published a study of 300 companies in those countries which concluded that 75 per cent have management systems that do not monitor and control productivity accurately. Only six out of 10 companies set performance targets for all or most of their departments, with a much lower rate (40 per cent) in France than in Britain and Germany (75 per cent).

While 80 per cent of companies

claimed to monitor customer satisfaction, barely 20 per cent made this information available below middle management.

Moreover, the quality performance measures used by most respondents focused too late in the cycle: on customer complaints and returns, rather than on measures within the workplace, such as "first-time yield" and product or service lead times. These would avoid such problems arising in the first place.

The consultancy also complained that only 20 per cent of companies measured performance using "short-interval (hourly) controls, which in many cases provide the frequency required to measure performance targets effectively". The consultancy concluded that: "If it matters, measure it."

A similar line of argument was expressed last month by one of

children in England and Wales. He is now finance director of part of MAI, a financial, media and information conglomerate.

Organisations should be wary of joining the "if it moves, measure it" bandwagon, Pascall warned. If, during a change process, people feel their behaviour is being measured at every opportunity, he said, "they'll feel inhibited. You shouldn't evaluate every aspect of every team's performance in every process". Instead, he advised organisations to follow BP's lead to removing all sorts of checks and balances, and then "seeing if people deliver".

As chairman of the NCC, Pascall complained that the UK government, in its enthusiasm for schoolroom measures of all kinds, had made them too complicated. It was unnecessary to test every child in every subject in the same way at the same stage, he argued. His advocacy has helped simplify the methods, frequency and intensity with which schoolchildren will be tested from now on.

A similar drive is needed in the business world if it is to avoid drowning in a sea of quantitative and qualitative measurements. This point was made eloquently last week by, of all people, a partner from a big accounting firm.

Speaking at a Royal Society of Arts conference on "Tomorrow's Company" - a campaign which advocates, among other things, the introduction of much broader business measures - Peter Ward of Coopers & Lybrand warned against making the already complex subject of corporate measurement even more complicated by "seeking spurious accuracy through too many measures".

What is needed, he suggested, is a much broader but more flexible range of indicators to measure the corporate equivalent of body temperature and blood pressure.

Ward did not confront the thorny question of whether and how to amend the old accountancy maxim that all relevant measures should be compressed on to a single sheet of A4 paper. As in schools, every effort must be made to avoid measuring the performance of every limb and artery so often that the body hardly has the time or motivation to function.

Britain's most experienced senior personnel managers, Mike Haffenden, who has just left Hewlett-Packard.

Speaking at a conference on change management, Haffenden said organisations should measure regularly the performance of all their key processes, from on-time delivery to change management itself. His only evident scepticism towards measurement - what BP and other American companies call "metrics" - was in the appraisal of individuals' performance, where he claimed never to have seen a job evaluation or performance appraisal scheme that was really worth the effort.

A much stronger dissenting voice was heard at the same conference from a surprising quarter: David Pascall, head of British Petroleum's "culture change" review team in 1989-90 and until a year ago chairman of the National Curriculum Council, the predecessor body for the authority that is now responsible for testing school-

children in England and Wales.

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OBITUARY

JOHN FRANCIS OGDONSON, BSC (FCOI), F.C.A. Late partner in Coopers & Lybrand International, Zambia. Born April 7th 1926 in London. Died suddenly at home March 19th 1994 in Lusaka. He is deeply mourned by his wife Margaret, daughters Jenny and Claire and son-in-law Paul. All friends overseas please accept the official notification. PO Box 32007, Lusaka, Zambia. Tel. No. 291827 Fax 00 26 1 252103.

LEGAL NOTICES

Texsa S.A., Barcelona, subsidiary of Lafarge Coppée, France, was sequestrated by the International Court of Arbitration (ICC) in Paris on the 3rd of November, 1992 to pay forthwith a sum of 2 million Swedish Crowns to Duonova AB of Sweden. The sum still remains unpaid.

Anyone who can give such information on assets of Texsa in Europe, which will lead to a successful enforcement of the award sentence, will be rewarded.

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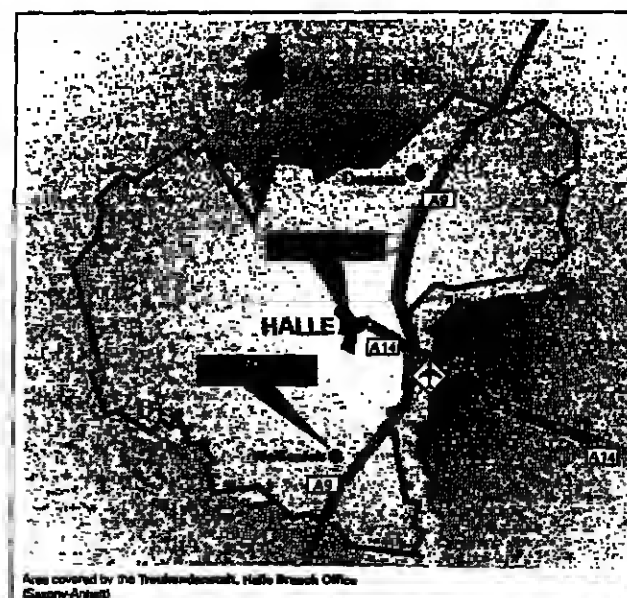
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FINANCIAL TIMES

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THE PROPERTY MARKET

Developers risk dabbling

Vanessa Houlder reports on reasons for the recent increase in speculative development activity

The return of speculative developers to the property market is possibly the most remarkable factor in the turnaround in sentiment towards property over the past year.

Their emergence, albeit in small numbers, is happening at a faster pace than seemed possible a year ago, when the market was preoccupied by falling rents, a glut of surplus properties and a dearth of development finance.

But how robust are the prospects for this development cycle? Will it be enfeebled by weak tenant demand and the reluctance of the banks to lend to developers? Or is there a possibility that the upturn in development activity will be sufficiently marked to depress the recovery in rental values on which it is founded?

The foundations for recovery are beginning to fall into place. Sites are readily available, often with planning permission. Construction costs are low, financing costs have fallen and funds are available from a small but growing number of property companies and investment institutions.

And although tenant demand is still patchy, rents are in many cases stabilising.

It is no wonder that developers are dusting off the planning permissions that they shelved during the downturn. There is a strong incentive to be the first into the market - limited competition on the completion of property.

"We are going to be there with

the first wave of development and then let others fight it out," says Mr Michael Slade of Helical Bar, a property company which has a £100m programme of speculative developments in Cardiff, Theale, Edinburgh, Leeds, Guildford and Cambridge.

Helical Bar is not alone. Argent, a property company, is starting a speculative office scheme in June at Brindley Place in Birmingham, which is a 17-acre site with consent for more than 1m sq ft of office, retail and leisure space.

In central London, Great Portland Estates has started work on a 100,000 sq ft office scheme in Great Portland Street. British Land has started work on 180,000 sq ft in the City, and AMP and Arconia are refurbishing in Pall Mall.

In the City, Lord Palumbo has teamed up with Dieter Bock to develop Numbur One, Poultry, situated by the Bank of England.

In the retail sector, the development of retail warehouses is proceeding at a cracking pace. Demand is strong for warehouses and because they are traditionally pre-let to tenants the supply of available space is restricted. About 4m sq ft of floorspace is currently under construction.

In the shopping centre market, Prudential, the insurance company, and JT Baylis, a Bristol developer,

are due to begin work later this year on the 630,000 sq ft regional shopping centre at Cribbs Causeway, near Bristol. Imry Group plans to begin work on the early phases of its Esplanade shopping centre in Southampton later this year.

Admittedly, these are the exceptions, rather than the rule. And the increase in development activity is taking place from an extremely low base.

In the office market, for example,

Caution about the strength of economic recovery is holding back many would-be developers

completions in 1993 totalled 4.2m sq ft, less than half of the 9.1m sq ft completed in 1992.

According to Hillier Parker, shopping centre development has dipped to its lowest level since 1965. The amount of floorspace which is at present under construction fell from 19.32m sq ft to 1.95m sq ft between March 1990 and December 1993.

Caution about the strength of

economic recovery is holding back many would-be developers unless they can secure a letting from a tenant before construction begins.

Mr Stuart Robinson of Hillier Parker, chartered surveyors, says: "There is still a question mark over tenant demand in many areas. Rents have not got to the point where people are confident about development."

The difficulty of raising bank finance also accounts for developers putting projects on hold. Almost all the banks involved in financing the large upturn in construction activities in the late 1980s are now absent from the market. "It is still almost impossible to fund a speculative transaction with a bank," says Mr Slade.

That said, other sources of funds have increasingly become available. Large property companies are flush with funds after a spate of rights issues.

The institutions, which have increased their allocations to the property sector, have found it difficult to secure sufficiently well built properties which meet their specific needs.

Most institutions prefer to limit their risk by funding pre-let developments. But there are about 20 institutions prepared to discuss the funding of speculative developments. In such cases,

however, the risk of construction cost overruns and guaranteeing the rent would be typically left to the developer.

The question remains whether developers are right to risk embarking on development while tenant demand is so low, economic prospects are uncertain and there still exists a surplus of available buildings.

The case for starting on development before tenant demand is evident is based on the length of the gestation period for building projects, that is planning and design to constructing, fitting out, completion and occupation, which typically takes three years. "You have to be there in advance of tenant demand," says Mr Slade.

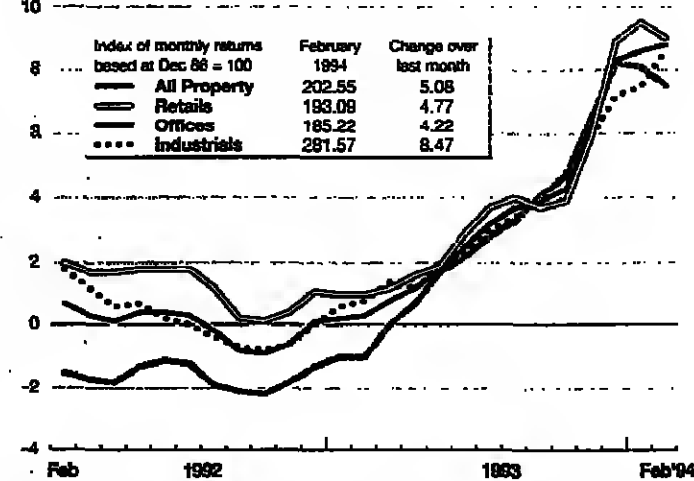
At present, development activity is sufficiently low to limit the degree of oversupply building up again. But if the market continues to heat up, there is some concern that too many buildings may come on stream.

"There is a danger that institutions which are anxious to get funds into the property market will create overcapacity and develop rather sooner than we would like," says Mr David Hunter of Scottish Amicable.

The institutions have reason to be cautious: they have made mistakes before. At the end of the 1970s, they financed a surge in construction which came on stream as the economy plunged into recession, setting back real rental growth for another five years.

IPD monthly index for February

Total return (quarterly movement) %



Returns improved in all commercial property sectors in February, pushing the All Property Return up by more than half a point to 2.6 per cent, according to the Investment Property Databank, a research group, writes Vanessa Houlder.

Capital growth increased to 1.9 per cent and was notable in the industrial sector where the rate of growth nearly doubled to 2.3 per cent. Yields shortened in all sectors bringing the All Property initial yield to 8.2 per cent and the equivalent yield to 8.7 per cent.

The rate of cumulative net investment in the IPD Index Funds in the month rose to its highest recorded level of nearly £100m. Over the past five months, more than £400m has been invested in the funds, providing what IPD describes as "hard evidence of the most dra-

matic shift in strategy on record". Retail rental growth stabilised in February, turning positive for the first time since September 1991. The All Property rental growth rate was unchanged from the previous month at -0.3 per cent, as office rental growth slowed to -0.7 per cent from -0.6 per cent in January. The All Property growth rate over 12 months to February was -6.8 per cent, against -7.4 per cent for the year to January. Industrial property performed best in February with a return of 3.1 per cent, followed by offices with 2.3 per cent. Retail property fell to second place with a total return of 2.5 per cent for the year to February, followed by industrials with a 20.6 per cent and offices with a 20.3 per cent.



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COMMERCIAL PROPERTY

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TECHNOLOGY

Making light work

To enthusiasts of the latest technology, it is an exciting prospect. To those dismayed by the prospect of homes swamped by myriad television programmes, it is a nightmare.

Either way, information superhighways promise dramatic changes in work and leisure habits. Using fibre amplifiers containing erbium (a rare earth), laboratory demonstrations have shown that as many as 400 TV channels from one source could be transmitted to 40m subscribers in a 500km radius.

Now, a consortium involving the UK's Southampton University, whose Optoelectronics Research Centre invented the erbium fibre amplifier, has been set up to develop "loss-less splitters" on optical chips intended to make such huge distribution networks much more commercially attractive by reducing the need for transmission power.

A loss-less splitter takes an incoming signal from an optical fibre and divides it between multiple output fibres, but maintains signal strength by boosting the power with an optical amplifier. The consortium, funded by the European Union's RACE programme (research and development of advanced communications in Europe) aims to produce optical amplifiers not in optical fibres but using specially cut glass slices in which optical circuits are embedded, rather like silicon chips for electronics.

Optical glass slices measure a few centimetres and contain optical waveguide circuits (finer than human hair) and components instead of transistors. They are hard to construct but are likely to play an essential part in the new information infrastructures that a number of countries are planning.

Other members of the consortium are Corning France, AT&T Network Systems, Netherlands, and the R&D centre of the German postal and telecommunications network.

Andrew Fisher

As international arms control negotiators continue a frustrating diplomatic struggle with North Korea over access to facilities that they suspect may be part of a secret nuclear weapons programme, US intelligence agencies are focusing on a military satellite orbiting far above the Korean peninsula.

The satellite is keeping tabs on a 5MW nuclear reactor near the North Korean capital of Pyongyang. As long as the satellite continues to detect heat from the reactor, US officials can be relatively confident that North Korea is not in the process of building a bomb. It would need to shut down the reactor before it could extract waste fuel and process it to make plutonium for a nuclear weapon.

But if the satellite detects any significant cooling - the first sign of a shutdown - all bets are off. Korea could have a working weapon within months, and the time for diplomacy will have passed.

If a major US research programme quietly launched over the past two years is successful, this satellite may be joined by many others keeping similar vigils - an entirely new generation of remote-sensing orbiters, all watching for signs of some nation trying to assemble a nuclear arsenal.

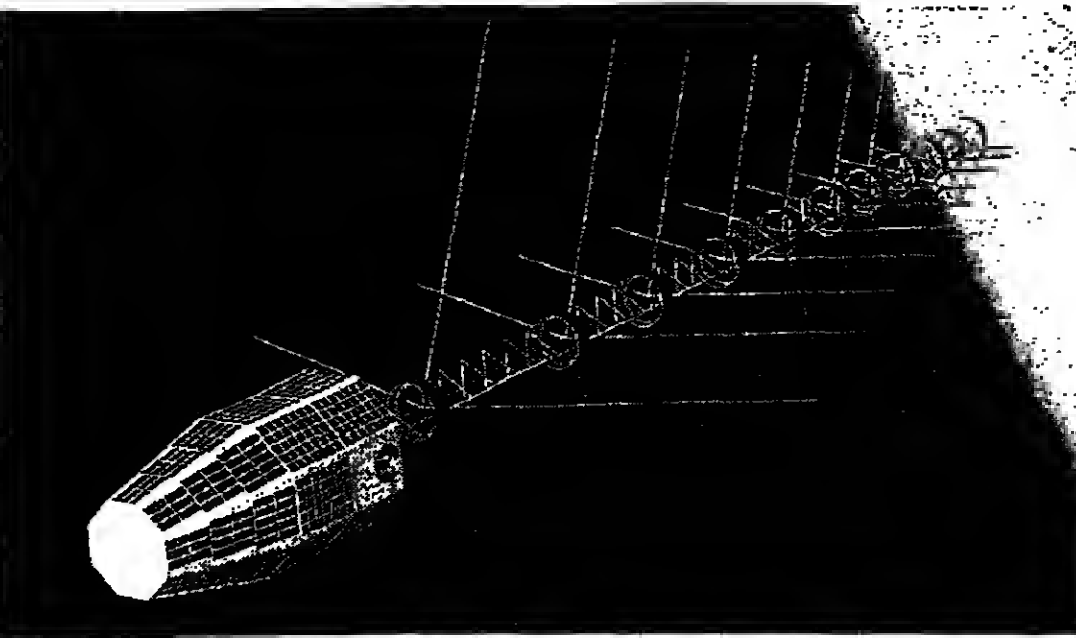
Scientists in the programmes say such satellites will never totally replace ground inspections and traditional intelligence for spotting nuclear outlaws in the making. But the lessons of the 1981 face-off with Iraq are still fresh in the minds of non-proliferation specialists: Iraq kept international monitors at bay for months, and when the inspectors did get in they found Iraq's nuclear programme was far more advanced than they had suspected.

The appeal of satellite monitoring is that it provides a means of detecting the signs of nuclear proliferation without the diplomatic brinkmanship and face-offs that plague traditional inspections.

At US government laboratories in New Mexico and Livermore, California, researchers who were once designing Star Wars satellites to shoot down nuclear-tipped enemy missiles are now working to see that these nuclear warheads are never built at all. Their new project is a space shield of a different sort: a nuclear proliferation-sensing network of surveillance satellites.

The early warning technologies they will carry go far beyond the cameras and simple sensors of most current remote-sensing orbiters. In one part of the programme, which is expected to cost \$100m (\$68m) a year by 1995, researchers are developing multi-spectral sensors that could spot anything from chemical residue released during plutonium reprocessing to the distinctive heat signature of a nuclear reactor in a

Christopher Anderson on a satellite designed to watch for signs of nations assembling nuclear weapons



Lightning strikes the planned Forte satellite should spot electrical storms triggering alarms as if they were nuclear explosions

A spy looks down

weapons material production cycle - even before the nuclear material is removed.

Meanwhile, other researchers are looking at the possibility of detecting even more subtle warning signs, such as the electromagnetic signals emitted by isotope-separating centrifuges and the characteristic vegetation damage near tanks storing waste from weapons production.

The details of which signatures the researchers are focusing on and how they will achieve the needed sensitivity are secret. "The real concern is that if you show your hand, there may be counter-measures that make your job harder," says Robert Scarlett, who manages the proliferation detection programme at the Los Alamos National Laboratory, New Mexico.

First in operation will be a technology that has its roots in sensors carried aboard secret satellites used since the 1970s to spot nuclear tests.

In 1985, the US Department of Energy plans to launch a satellite known as Forte, for Fast On-board Recording of Transients Experiment. The satellite is designed to use on-board electronics to distinguish between the electromagnetic signature of lightning and that of a nuclear explosion. Lightning has been the source of false alarms in the past, says Max Koonitz, the

department's programme manager.

A year later, the US plans to launch the first of a new generation of proliferation-sensing satellites that may be able to spot nuclear signs even earlier. The \$70m Multi-Spectral Thermal Imager should be able to detect heat fluctuations from reactor cooling towers and waste water, even through clouds.

In an initial test, researchers on the ground will directly measure heat output at the Savannah River weapons production facility in Tennessee, which has several nuclear reactors that can produce weapons materials; at the same time, the satellite will measure the same thermal emissions from space. Comparing the "ground truth" with the space readings will allow the researchers to gauge the sensitivity of space detection and calibrate the sensors.

Later, the Los Alamos group hopes to design and fly other multi-spectral sensors which will attempt to use techniques similar to those of their brethren in environmental remote sensing to detect vegetation changes around nuclear processing plants. Uranium enrichment and plutonium reprocessing yield large amounts of chemical waste, including organic compounds, acids and fluoride.

Laboratory scientists say satel-

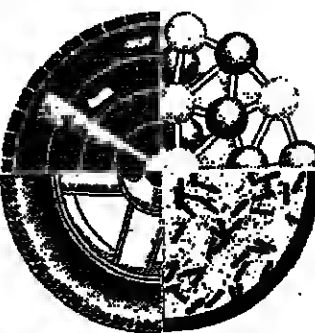
lites could spot characteristic "kill zones" around waste holding tanks, where chemicals associated with nuclear processing have contaminated the soil or ground water and killed vegetation.

Other teams are hoping to use laser beams to probe gaseous emissions from suspected bomb factories, looking for unique reflections and absorptions that might indicate the presence of tell-tale weapons production by-products.

Even the optimists in the programme expect that it will be more than a decade before any of the new proliferation-sensing technologies are actually in use. "The further we get into this, the harder we realise it is," says David Dye, leader of the Lawrence Livermore laboratory's intelligence and national security technologies programme.

But with half a dozen nations threatening to join the nuclear fraternity, there are plenty of reasons to find better ways to spot the early signs of proliferation. No one expects satellites entirely to replace ground-based sensing and actual inspections. But while North Korea continues to play cat-and-mouse over on-site inspections, Washington policymakers are finding the prospect of space detection - in spite of its technical complexity - hard to resist.

Worth Watching · Della Bradshaw



Earprint could help beat credit card fraud

The human ear is at the centre of the latest system designed to combat credit card fraud, writes Anna Kochan.

The shape, size and contours of the ear are as individual as the fingerprint, says Rouen-based inventor Patrick Macron. The personal identity system he has developed is based on a smart card (which stores data about the shape of the ear on a built-in chip) and a telephone with a miniature video camera, sensors and electronics built into the earpiece.

Macron envisages cash dispensers of the future being equipped with these telephones. Customers will put their smart card into the dispenser while holding the telephone to their ear. The dispenser will compare the telephone "image" to the details stored on the card, and customers will be cleared to proceed - or not - within about four seconds.

Macron, France, 35 73 01 99.

Nematode worm about to turn

A microscopic parasitic worm known as the nematode has been plaguing crops all over the world. But a Central American tree is providing a new way to fight it.

Nematodes attack many crops. In some cases they can be combated with existing synthetic solutions. However, these are too toxic for plantation crops, such as bananas.

The new treatment, DMDP, has been developed by the Royal Botanical Gardens at Kew and the Scottish Crop Research Institute, from the seeds and leaves of a Costa Rican tree. It is potentially far less toxic than synthetic treatments.

DMDP is being further developed by Inbio, a Costa Rican conservation organisation, based

in Heredia, which is using aerial photographs from Nasa to identify donor trees.
Inbio: Costa Rica, 36 7890.

A step ahead of the customers

A neural network, artificial intelligence software which "learns" how to analyse data from past examples, is helping retail chain Radio Rentals to retain customers.

In trials, the neural network, from Thorn EMI's Central Research Laboratories, has made Radio Rentals 30 per cent more accurate in predicting which customers will terminate rental contracts. This helps the company target its marketing more effectively.

CRIL: UK, 081 848 9779.

Information at the tip of your fingers

Touch screen technology, which can detect pressure through two inches of glass, could open up new applications for shop window computer terminals.

Manufactured by MicroTouch Systems, in Methuen, Massachusetts, the screens could provide after-hours information to bank customers, for example.

Developed in the UK by Moonstone Designs, the screens have an electrostatic charge behind the glass. By measuring disturbance in the field the computer can calculate where the pressure was applied and then provide the information required.

MicroTouch Systems: US, 508 659 9000; UK, 0341 260123.

Inside track on getting fit

The latest fitness machine to hit Europe from the US is Walkfit, a non-motorised treadmill with a built-in upper body exerciser.

It has been developed by NordicTrack, the Chaska, Minnesota-based company famous for its indoor skiing machines. NordicTrack claims that Walkfit burns up to 70 per cent more calories than a motorised treadmill because the user provides all the required energy. The Walkfit incorporates two free-moving bars to be grasped while walking or running, so exercising the upper body.

NordicTrack: US, 612 368 2500; UK, 0926 431515.

PEOPLE

Sir Michael Angus to chair Boots

Sir Michael Angus, chairman of Whitbread and president of the CBI, is to take over as chairman of retailing and pharmaceuticals group Boots from July, in what analysts see as a highly significant appointment. There was speculation yesterday that he was being appointed to take some tough decisions at Boots - especially regarding the future of its pharmaceutical business.

Sir James Blyth, chief executive since 1987 and architect of the acquisition of Ward White and reorganisation of Boots group into separate business units, is being given the additional, and new, role of deputy chairman. The announcement prompted speculation that he is being groomed eventually to succeed Sir Michael (right) as chairman.

Sir Michael, 63, is appointed a non-executive director with immediate effect and will replace present chairman Sir Christopher Benson after the

annual meeting on July 24. Sir Christopher, chairman of Sun Alliance and Costain as well as The Housing Corporation and The Funding Agency for Schools, has been chairman since 1990 but has taken a low profile during the past year. He was criticised for his handling of the group's annual meeting last year, which was disrupted by animal rights protesters.

The more pugnacious Sir Michael, described by a former colleague as a "tough, blunt businessman", spent much of his career with Unilever, after service with the RAF and a degree at Bristol University.

After a spell as chairman and chief executive of Unilever US, during which he restructured the US business, he was group chairman from 1985 to 1992. He was credited with waking up a sleepy company, shedding some businesses and refocusing the group on its core activities.

He has performed a similar



task at Whitbread since 1992. He has also served as CBI president since 1992, forming an effective partnership with director-general Howard Davies.

In addition to his capacity for taking tough decisions, Sir Michael's political influence and international experience are seen as assets to Boots, particularly as it seeks to expand its over-the-counter drugs business, Boots Healthcare International, overseas.

"The appointment of Sir Michael is quite a coup for us," admits Boots. "He is highly-regarded and wields considerable influence."

Mr London



The government's first regional director for London is to be Robin Young, the civil servant who has headed the Local Government Directorate in the Department of the Environment since 1992.

Young, 45, will spearhead the government's attempts to improve the administration of London in the absence of an elected body for the capital. From April 11, he will head the new single London office which brings together the regional offices of the departments of Trade & Industry, Transport, Employment and Environment.

Like the other nine regional directors, Young will be responsible for funneling funds from these departments

to the London region. He will also control London's share of the single regional budget, a pot of £1.4bn provided by the four departments which local authorities, Training and Enterprise Councils and other local partnerships will be invited to bid for.

The London directorship will be at grade 2 (deputy secretary level, in recognition of the importance of the post in implementing the Conservatives' election pledge to improve the co-ordination of government policy in London).

Young joined the civil service in 1973 after education at Fettes College, Edinburgh, and University College, Oxford.

He served as principal private secretary to three Environment secretaries between 1985 and 1988. In 1988, he was promoted to grade 3 (under secretary) with responsibility for policy on private sector housing and housing associations. He headed the environmental policy directorate 1989-91 and was responsible for preparing Chris Patten's white paper This Common Inheritance.

He can be expected to provide forthright leadership for the new London Office: ministers have not always been happy with the high profile he has taken at the DoE.

Non-executive directors

Watson & Philip, the Scottish-based retail and wholesale food group, has appointed a new chairman, James Watson, who replaces the late Ian Macpherson.

Watson & Philip's chief executive, David Bremner, says that he prefers to describe Watson's role as part-time rather than non-executive, "as he will be spending 50-ish days a year with the company, far more than one would expect from a non-executive chairman. Watson will be much more than a figurehead, which a non-executive title might imply."

Watson remains chairman of NFC, he is also chairman of the Institute of Management. Bremner says that Watson has no family ties with the business - the shared name "is purely coincidental".

Tim Congdon, md of Lombard Street Research and one of the Treasury's "wise men" who has recently become a Lloyd's name, as chairman at SBW INSURANCE RESEARCH, the Lloyd's research company jointly owned by Stace Barr Underwriting Agencies and Wellington Members Agency.



FT EXPORTER



FT EXPORTER: Spring Issue - April 19

The next issue of Europe's premier export review, the FT Exporter will appear with the Financial Times throughout the UK and Europe on the 19th April 1994. Written by Financial Times journalists based in leading business centres across Europe, the FT Exporter will show, through case histories, how orders are being won and what practical problems are being overcome.

An essential guide to current trade issues, blending news, analysis and market opportunities for companies of all sizes, the spring issue will include market profiles of Brazil, Southern Africa and Vietnam, payment problems experienced by sub-contractors, report on the use of multi-currency accounts by small and medium size exporters and assess when it is cost effective to employ just-in-time delivery.

As recognition has grown that exporting is a core business activity so the FT Exporter has developed into one of the most cost effective means of reaching both UK and European business decision makers.

To book into the next issue contact:

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The Crown Jewels have been locked away in the Tower of London for over 600 years. Not the same jewels, of course: Oliver Cromwell melted down the medieval regalia in 1649, with just one 13th century Coronation spoon escaping the flames. But from Charles II onwards, there has been a steady accumulation of crowns and plates, of orbs and sceptres and rings and swords. The jewels on display today record the triumph of the British Imperial adventure. What was lost of medieval craftsmanship has been made good by the tribute, and loot, of Empire.

For decades the Crown Jewels have been the pride and despair of the Tower. They are its principal attraction and few of the 2.5m visitors a year have given them a miss, even though it has meant queuing in the exposed waste of the Tower courtyard. Every few years the jewels have been moved, but never with any lasting satisfaction. From today, however, they have a splendid new home, built at a cost of £10m, which should see out our generation, and more.

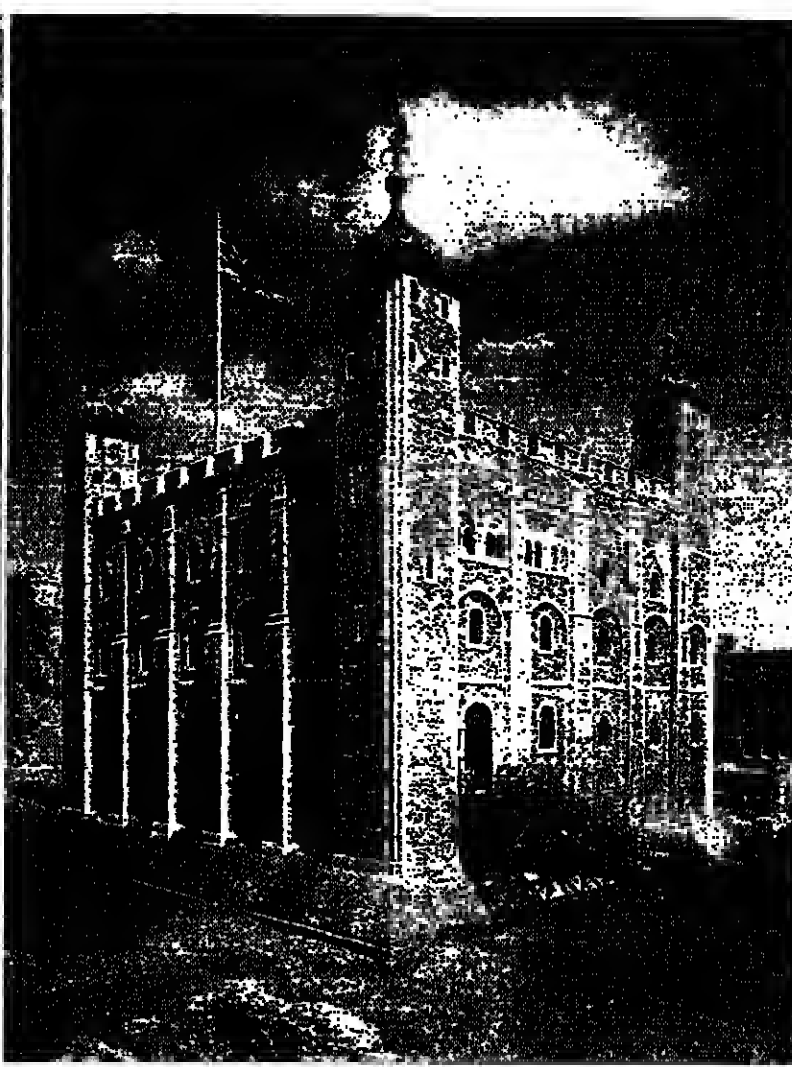
From one perspective the new Jewel House marks the second, and most important, stage in the long term marketing strategy of that new commercial enterprise, the Historic Royal Palaces; from another it is an impressive, and most welcome, shrine for what could be regarded as the soul of the nation made manifest in the most costly, rare, and abiding of earthly treasures.

The millions have been spent unobtrusively, mainly on security. You enter the stern doorway of the Waterloo Block, a 19th century barracks. Immediately you realise you are in the grip of a system, a carefully programmed 25 minute experience as you edge along the procession towards the climax of the jewels. There are diversions on the way, most notably three giant screens showing scenes from the Queen's Coronation. They are surprisingly moving, especially as you realise that, despite the furor at the time about an "intrusive" televised Coronation, the actual moment of crowning remains a mystery, the Archbishop's robes forming a protective veil.

Historic Royal Palaces, an organisation created by the government to take over responsibility for the upkeep of Britain's finest ancient buildings, is in the business of palace education, and its justification for the new Jewel House is to explain the purpose of the regalia, the ritual of Coronation. So other rooms show film of the objects in use before they finally come into view;

the continued life of a ballet in repertory - the reasons why it should still appeal to audiences; why it should still be worth watching on the most rigorous critical terms; why it should not be referred to the nearest Trading Standards office - has to do with a precious balance between style and spontaneity. Casts must feel at ease with the intentions of the choreography (however remote in time) and with their own powers to interpret them.

Because Frederick Ashton's creations lie at the heart of the Royal Ballet's identity, and because he was notoriously not interested in second or third (or 30th) casts, his works are particularly subject to performance by rote, and all that implies of "This is what Sir Fred wanted, and this is the way you must dance it." There



The Crown Jewels in their new home. The White Tower is next on the list to be made customer friendly

Whisked through the Jewel House

first the maces, trumpets and swords, which would head the traditional procession, then the anointing vessels and finally the Crown Jewels themselves. At peak times a moving pavement will be switched on, which allows an over-brief assessment, although there is nothing to stop you repeating the ride, or examining the jewels from a raised gallery.

They are reassuringly awesome. Even those most sceptical about "jewel fever" and the lure of gold and precious stones would find it hard to be indifferent to the largest diamond in the world, set atop the sceptre. Even the most supercilious will speculate on the variety of the crowns - the tiny crown of Mary of Modena; the "misshapen diamond" crown of Queen Victoria; the large crown of the Queen Mother, which contains the Koh-i-Noor diamond, a token of bad luck when worn by men, but harmless to women.

Then there is silver gilt plate

by the van load, the Imperial Crown of India and various curiosities before you reach the inevitable journey's end: the shop. It is all rather breathless and claustrophobic, and anyone wanting to make the most of the experience should repeat the journey. To keep the flow moving, the jewels are not

today to £7.95, which includes access to everything. With the Jewel House behind him, Beaton is turning his attention to the Big One, the White Tower, the original Keep of London. He is using £20m from the profits he has already harvested, mainly from the spruced up Hampton Court, to

accept that Beaton has done a good job with the jewels but they have taken against his first enterprise at the Tower, the creation a year ago of a "Medieval Palace" in the 13th century buildings. They object to the replica furniture, to the presence of attendants, medievally dressed, who attempt to

thing remains untouched by 18th and 19th century improvers. Few visitors can imagine, unaided, the court life of Edward I.

Historic Royal Palaces' mission to explain might be in pursuit of profit but it meets a genuine demand. The Tower of London has always been a place of diversion, at least since it stopped being the last protective bolt hole for the monarch in the 15th century. It was where Londoners came to marvel at the King's weird animals, to gaze at his jewels, to consult the national archives, to gaze at the planets from the first royal telescope, to drink in the pubs that littered the Tower until the 19th century and, on high days, to watch the executions.

Today's public may be more restrained - it is also predominantly foreign and ill-informed - but there is no reason why it should not gain some enjoyment from the hefty admission charge.

The Historic Royal Palaces' mission to explain may be driven by profit but it does meet a demand, says Antony Thorncroft

lavishly explained: for example there is no attempt to point out the Koh-i-Noor, or unless you grab a Yeoman Warder, or mug up well before hand, you are certain to topple out with questions unanswered.

David Beaton, who runs Historic Royal Palaces, expects the new Jewel House to attract an extra 250,000 visitors. The figure is bound to be higher, despite an admission charge for the Tower raised from

sweeten the move of the Royal Armouries out of the Tower and into a new museum in Leeds. He will then turn his attention to making the White Tower customer friendly. He will want to hold on to some of its greatest treasures, such as Henry VIII's jousting armour, but the wide open spaces of the Tower offer wonderful opportunities for populist exploitation. Some historical and cultural purists are horrified. They

Ballet/Clement Crisp

Interpreting Ashton's works

has resulted a paralysis in Ashtonian interpretation, doctrinally rigid - the letter killing the spirit absent. So *Cinderella's* Ugly Sisters, still played as debased copies of Ashton's and Helpmann's originals, are now a serious deterrent to watching the piece. So, a revival of *Symphonic Variations* in Birmingham looked as if its cast wore strait-jackets rather than Pederovitch's tunics, and were terrified to be themselves. So, on Wednesday night, *A Month in the Country* and *The Dream* as part of a triple bill, were, respectively, how and how not to dance Ashton.

The *Dream* lacked any light-

ness or clarity and, especially, that sexual pungency which must make the last pas de deux so real an image of Titania and Oberon's love. The Puck was leaden; the quartet of lovers were as time-worn as their predictable antics; the midsummer magic was antinatural, the wit doughy. William Trevitt was an Oberon of promise, and deserved a better setting, so did Luke Heydon as a gleefully simple Bottom. It is time for *The Dream* to be reconsidered; the lustre has gone.

Though I had little sympathy for some of the subsidiary casting in *A Month in the Country*

- performances showed the spontaneity of a "speak your weight" machine - the ballet was admirably Ashton's. That it was so I attribute to developments in both Sylvie Guillem and Bruce Sansom's interpretations. Mlle Guillem now looks at ease as Natalya. The capricious of a bored woman trapped in her summer dress, the last flare of romantic feeling as she yields to Belyayev; the sense of affection, of guilt and of ungovernable jealousy that mark her relationship with Vera, were sensitively shown, and the dance gleamed. Mr Sansom, who has seemed too perennially hoysish for

Belyayev, has gained in emotional weight and technical authority. The role is beautifully danced - line, dynamics impeccable - and sure in its sensitivity to Vera's calflove and its holdiness when confronted with Natalya's passion. The other pleasure of the evening was Sarah Wildor's debut as Vera. The dancing, as we have come to expect from this gifted young artist, was lovely in its bright, true accents, its sweetness of outline. It was essentially Ashtonian. Her reading of the character - a first infatuation that tells of troubling depths - was ideal. The ballet was alive.

The bill was completed by David Bintley's recent *Tomb Raider*. It offers excellent costumes for the women (Jasper Corran's black and amethyst tutus are a joy) and men in black long-johns that make them look like gymnasts in a frenzy of mourning.

The dance chatters vivaciously and keeps a mixed bag of Royal Ballet girls on the hop. Viviana Durante appears as an elegant creature in *décor* velvet and makes a great deal of the duets that are the best things in the piece: Bruce Sanson whips about the stage, expending quantities of classic style in some arduous evolutions. It is too garrulous for my taste - party chat as art.

The programme is repeated tomorrow, matinee and evening.

Concert/Richard Fairman

Maxwell Davies and the RPO

The desire to be seen to support new music has prompted various British orchestras to offer house room to composers-in-residence. How far this will work to the composers' advantage is not yet clear, but the Royal Philharmonic Orchestra is showing signs of taking its responsibility seriously.

As from last season, it has had Peter Maxwell Davies as its Associate Conductor/Composer. With an eye to the future the orchestra has already commissioned from him a Sixth Symphony (even though he has not yet finished his Fifth) and has started to schedule existing works in its concerts. Usually 20th-century pieces are sprinkled among the popular classics, but on Wednesday the RPO was more ambitious and presented an entire concert of Maxwell Davies.

Later this year he will be 60, which could be the occasion to look back over his changing interests. From being a composer impelled to write by the creative urge within, he has matured into one whose music seems guided as much by external factors, such as the specific requirements of commissions.

In Wednesday's programme there were two main works, one early, one late. Although the *Second Fantasia on John Taverner's "In nomine"* is built

on a Tudor foundation, it is a wholly 20th-century piece of musical architecture with its angular themes, its complex structure, its abstract form of expression. The orchestra is large, but used sparingly in the Mahlerian manner. At 40 minutes the work tests an audience's concentration, for as the composer remarked, "It demands much of players and listeners alike." The RPO sounded tentative in it.

The Strathclyde Concerto No 4 for clarinet (1990) is one of ten in an ongoing project. Instigated by Strathclyde Regional Council, it shows us a different Maxwell Davies, working in a relatively approachable neo-classical style. The Clarinet Concerto is a very polished example of concerto writing. It has plenty of virtuosic passages for the soloist and makes good use of traditional features such as the cadenza, but is always music of substance, not empty note-spinning. Dimitri Ashkenazy caught its sensitive, sombre mood nicely.

To end Maxwell Davies conducted *An Orkney Wedding, with Sunrise*, a Boston Pops commission. The vigorous Highland flings, a tipsy violin solo, raucous brass guests and bagpipers at dawn, all make this a vivid showpiece, which the RPO might consider using more widely. Responsibility and fun can usefully be combined there.

Theatre/Martin Hoyle

Glyn and 'It'

Nonsensical, faulty in construction, ungrammatical is the snuffy verdict of Chambers Biographical Dictionary on the writing of Elinor Glyn. Despite these ideal qualifications for journalism, she poured her talents into novels and, briefly in the 1920s, writing and directing films.

Ken Hoare's new play focuses on her meeting with Clara Bow, whom Glyn famously dubbed "the 'It' girl" - "It" and "Glyn" being a more reticent agent's identification of sex-appeal. *Glyn and "It"* rings imaginary wisecracking variations on the theme of patrician Englishness meeting American crudeness and liking it. It is principally a vehicle for Penelope Keith's Elinor Glyn.

As the curtain rises, she is revealed reclining on the inevitable tiger-skin. Tim Goodchild's fantasy set combines Syrie Maugham's all-white decor with a dash of Kipling-esque exotism. Fantasy is the operative word: Ken Hoare's previous work includes material for the comic Stanley Baxter, and award-winning sitcoms. His first stage work emerges as a cross between Kaufman and Hart's Hollywood satire *Once in a Lifetime* and a putative *Carry On* Keystone, with more emphasis on the passing gap than dramatic contrivance.

The undeveloped plot hinges on Clara Bow's flight from unwelcome publicity after a spurned boyfriend shoots himself. The young man's father is a hellfire evangelist ready to denounce the whore of Babylon unless bought off. Meanwhile the British author and

the American sexpot collaborate on a film-script, a relationship that ripens into mutual respect and affection, almost sabotaged by Madam Glyn's stuffy English bluster.

This might fill a bright weekly half-hour slot in the summer schedules. Taken in one insubstantial helping, the writing betrays its sitcom pedigree. Some lines somewhat laboriously hit the target, as "Sin in Hollywood is the equivalent of education in England: it's there for the few who want it." Some fall thunderingly short as in the exchange, "Couldn't I interest you with a little cinnamon toast?" "You couldn't interest me with the dance of the seven veils."

More importantly, the author vacillates in his portrayal of Glyn, alternating between the gushingly precious, lost in self-love, and the shrewdly warm-hearted worldly-wise. Miss Keith confines herself to the upper-class cooling and whooping that she has amusingly deployed for 20-odd years, prunes and prisms all over the stage; but, as with riding a bicycle, when she starts to think about how she does it, uncertainty results. In Act 2, the accent is strained and fractured, for a terrible moment evoking the awesome sound of genteel Australian.

In the supporting cast of Richard Cottrell's production, Michael Cochrane struggles with a stereotypical butler, and Samantha Spyro effectively turns Clara Bow into a chirpy transatlantic Barbara Windsor.

At Richmond Theatre until tomorrow; then on tour.

INTERNATIONAL ARTS GUIDE

EXHIBITIONS

AMSTERDAM
Rijksmuseum Dutch Figure Drawings 1700-1850. Ends May 1. Closed Mon
Van Gogh Museum Pierre Puvion de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily
BARCELONA
Museu Picasso The Avant-Garde in Russia 1905-25. Closed Mon (carrer de Montcada 15-19)
Fundació la Caixa Willem de Kooning: 50 paintings, sculptures and works on paper by the key abstract expressionist painter. Ends April 3. Closed Mon (Centre Cultural, Passeig de Sant Joan)
BASLE
Antikenmuseum Rediscovering Pompeii: an internationally-acclaimed touring exhibition of 200 objects, including jewellery, ceramics, household implements and statues, providing insight into daily life in the Roman town. Highlights are the

reconstructed garden with mosaics, a room complete with original frescoes and a selection of video guides. Ends June 26. Closed Mon

BERLIN
Haus der Kulturen der Welt The Gardens of Islam: paintings, carpets and ceramics evoking the exotic grandeur of traditional Islamic art. Ends April 4. Closed Mon
Neue Nationalgalerie Rebecca Horn (b1944): retrospective of the German artist renowned for her mechanical sculptures and provocative drawings. Ends May 1. Closed Mon
Brücke Museum Fritz Bleyl (1886-1976): more than 100 drawings, watercolours and prints by one of the founders of the Brücke. Ends May 16. Ernst Ludwig Kirchner: street scenes 1913-15, the high point of Kirchner's Expressionism. Ends May 16. Closed Tues

BONN
Kunst- und Ausstellungshalle Bünzel, Eye of the Century: a comprehensive retrospective of the Spanish film director (1900-83), showing the common ground between his films and Surrealist art. Ends April 24. Closed Mon
FRANKFURT
Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. Ends July 3. Closed Mon
Schirn Kunsthalle Archæological Treasures from Romania. Ends April 17. Daily
LEIPZIG
Museum der bildenden Künste From Cranach to Caspar David Friedrich: 82 paintings and 104 drawings from the rich but

little-known Leipzig collection, ranging from Lucas Cranach's 1521 painting of Luther through Frans Hals, Holbein and Bernini to the German Romantics. Ends April 17. Closed Mon
LONDON
Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-398 4555)
Hayward Gallery Salvador Dalí: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)
Tate Gallery Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 8. Daily
National Gallery Claude: The Poetic Landscape. Ends April 10. Daily
Victoria and Albert Museum Fabergé: 350 treasures from Imperial St Petersburg. Ends April 10. Daily
British Museum The Study of Italian Drawings: a tribute to the late Philip Pouncey. Ends April 24. Daily
National Portrait Gallery Holbein and the Court of Henry VIII. Ends April 17. Daily
Whitechapel Art Gallery Medardo Rosso (1858-1928): retrospective of the Italian Impressionist sculptor. Ends April 24. Closed Mon
LUGANO
Villa Favosita Europe and America: 19th and 20th century oil paintings and watercolours. The Thyssen-Bornemisza Foundation's museum on Lake Lugano re-opens on April 1 with an exhibition of 150 works ranging from the Hudson River School to examples of

Cubism, German Expressionism, the Russian avant-garde, Dada, Surrealism and Pop Art. Among the artists represented are Bierstadt, Emet, Munch, Hopper, Malevich and Pollock. Ends Oct 30. Closed Mon. No parking facilities: take Bus no 1 (tel 091-516152)
MADRID
Centro de Arte Reina Sofia Joseph Bayes (1921-86): 10 installations, 25 sculptures and 456 drawings by one of the most controversial figures in postwar German art. Ends June 8. Closed Tues
MANTUA
Palazzo Ta Aysel Waldemar Johannesen (1880-1922): this distinguished pupil of Munch died prematurely and was forgotten until a couple of years ago. This is only the second exhibition of his works ever held, and the first outside Scandinavia. Ends June 19
MUNICH
Kunsthaus der Hypo-Kulturstiftung Pierre Bonnard: 130 paintings and seven sculptures by the Nabis artist. Ends April 24. Daily
Lenbachhaus Between the Brücke and the Blaue Reiter: Expressionist paintings from the Ahr Collection, including works by Kandinsky, Kirchner and Beckmann. Ends May 23. Closed Mon
NAPLES
Castel St Elmo On the Wings of the Imperial Eagle: Naples under the Austrian Viceroy (1707-34). A splendid itinerant show, dominated by the baroque works of Francesco Solimena. Ends July 24
NEW YORK
Museum of Modern Art Frank

Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Closed Wed
Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Degees Landscapes. Ends April 3. 19th century paintings and drawings from Germany and Switzerland. Ends April 24. Closed Mon
Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. Robert Morris (b1931): 170 works by the American minimalist. Ends April 17. The main museum is closed on Thurs, the SoHo site on Tues
PARIS
Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues
Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms from central and southern Italy 3000-300 BC. Ends May 17. Closed Sun and Mon
Petit Palais Art of the Tainos Sculptors. Ends May 29. Closed Mon
Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues
PRAGUE
Prague Castle Riding School Czech Modernist Art 1890-1918: a survey of the evolution of Czech art from the turn of the century to Cubism. Ends May 23. Georg Flegel (1586-1638): retrospective of one of Europe's earliest specialised still-life painters. Ends May 8. Closed Mon

Kinsky Palace Achille Perilli (b1927): retrospective of one of the foremost representatives of postwar Italian art. Ends April 10. Closed Mon
ROME
Villa Medici Tamara de Lempicka: 50 works from the years 1920-41 by the Polish artist famous for her sedition to the "vie bohème", and for seducing all her (adult) models, except Gabriele d'Annunzio. Mainly nudes, her works are painted in vaguely Cubist style, tempered by Art Deco. Most are from New York private collections. Ends May 1. Daily
Villa Farnesina The Chinese and 18th century Architectural Firework Machines: an unusual show offering 18th century drawings and engravings depicting the annual ceremony in Rome when the Neapolitan ambassador offered a tribute to the Pope in return for the sovereignty of the Kingdom of the Two Sicilies. This was always accompanied by a white horse, known as the China. Ends May 31. Closed Sun
VENICE
Chiesa San Bartolomeo Tintoretto: 15 religious paintings from Venetian churches. Ends May 1. Daily
Museo Correr Pietro Longhi: an exhibition of paintings, comprising mainly elegant genre scenes, by the Venetian rococo artist. Ends April 4. Daily
VIENNA
Kunstforum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily
Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from

the period 1908-20. Ends June 12. Closed Sat
Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, collages, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon
Albertina The Young Kokoschka: 200 watercolours and sketches from the years 1898-1917. Ends May 23. Daily
Kunsthaus Le Corbusier (1887-1965): retrospective of the Swiss architect. Ends May 1. Daily
WASHINGTON
National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. The Age of the Baroque in Portugal. Ends April 3. Ruth Benedict Collection: 78 prints and drawings from the 16th to 20th centuries, including works by Rembrandt, Canaletto, Tiepolo, Daumier and Moore. Ends June 12. Daily
Arthur M. Sackler Gallery Korean Arts of the 18th Century. Ends May 15. Daily
National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Daily
Walters Art Gallery A Bouquet of French Manuscripts: rare works from the late Middle Ages and Renaissance. Ends April 10. Closed Mon
Philips Collection Brancusi: photographs and sculpture by the Romanian modernist. Ends April 17. Daily
Textile Museum From Kuba to Kars: flat-woven textiles from the Caucasus. Ends Sep 4. Daily

Joe Rogaly

Devil is in the dealmaking



These clouds might be still less temporarily dispelled if there is a "British triumph" on the voting mechanism. What is required is a stitch-up that, at least in appearance, maintains the 23-vote blocking minority on issues, such as social legislation, that Britain considers important. Such an understanding *might* be negotiated by Mr Douglas Hurd when he meets his fellow foreign ministers in Ioannina, in western Greece, this weekend, or at another venue later on. That would give the prime minister and the Conservative government a breathing space, with no guarantees as to its duration.

House of Commons select committee on foreign affairs argues that what is at stake is "yet more integrationist acceleration." Unless the rules are changed, he correctly points

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Standards in insurance industry rising as result of self-regulation

You and your readers will no doubt be comforted to know that there is rapid change under way and the experiences of employees and customers of the industry of even a year ago are probably anachronistic.

C F Jebbens,
chief executive,
Lauria,
Centre Point,
103 Neo Oxford Street,
London WC1A 1QH

The penalties for failing to meet these requirements are that sales people trained or assessed under unsatisfactory schemes must be suspended from business until they have satisfactorily completed an accredited training course.

For nearly a year now Laufer has been carrying out detailed inspections of the schemes which its members

The proposals being suggested are equivalent to

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THE CITY INSIDE OUT

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Friday March 25 1994

Mexico after Mr Colosio

The shocking murder of Luis Donaldo Colosio, the man most likely to be Mexico's next president, heralds a period of deep uncertainty in a country still reeling from the peasant uprising in the southern state of Chiapas. Taken together, these two events show that Mexico's current economic and political transition - while necessary and inevitable - is causing strains which may hinder the country's progress, both within the country and elsewhere. They need not, however, signal protracted or deep-seated instability. Mexico will emerge fortifiably strengthened if its politicians learn how to manage the transition better.

The attempt by President Carlos Salinas to transform his country into an open, modern economy has had severe costs. Economic growth has ground to a halt - in part because too much Mexican industry was unable to compete in the international market; in part perhaps because the government has sacrificed growth to a single-minded fight against inflation. The difficulties have been exacerbated, however, by Mr Salinas's ambivalent approach to political reform. The president underlined the power of his office by regularly sacking state governors in a supposedly federal system. The electoral system severely handicaps opposition parties, and Mr Salinas's moves to improve it have been piecemeal. His recipe of moving faster with economic than with political reform now looks questionable, since pressures for political change are breeding economic uncertainty and slowing growth and investment.

Rich potential

It is not clear that the president has fully come to terms with the transition he set in train. Mr Salinas was right to break with the past, but the weakening of his highly-centralised executive - an inevitable consequence of economic reform - has enhanced the need for a strong and legitimate institutional structure. The problem is that this is precisely what the country lacks.

There are exceptions. The newly-constituted central bank is autonomous except with respect to exchange rate policy - a durable strength. The North American Free Trade Agreement

also brings rich potential and some certainty about the future rules of the game. But the legal system and the judiciary remain arbitrary and inefficient, the police corrupt, Mexico's people are denied the rule of law, its businesses hindered by their inability to enforce contracts.

Recent events thus emphatically do not call for a reversal of Mexico's reform programme. Rather, a new government and a new presidential candidate should look for ways to advance it. In the meantime, some fiscal relaxation - to provide targeted help to ease social pressures - may well be justified, though the government will be aware that an excessively lax policy would prompt capital flight and an economic crisis.

Crisis avoidable

Even with Mexico's dependence on foreign capital to cover a current account deficit of over \$20bn, a financial crisis is eminently avoidable. Some \$29bn at last count, Mexico's reserves are high compared to its monetary base; the country also has financial and political support from the US.

Similarly, while a period of political uncertainty is inevitable, it need not run out of control. The probable replacements for Mr Colosio as presidential candidate of the Institutional Revolutionary Party (PRI) all represent continuity to some degree - though each has his drawbacks. Manuel Camacho, the Chiapas peace-maker, is unpopular within the ruling party after his unwillingness to rule himself out as a possible opponent to Colosio. Finance minister Pedro Aspe is harmed by his association with Mexico's current recession. Ernesto Zedillo, like Mr Salinas a former budget minister, is politically inexperienced. Whoever stands for the PRI, it is unlikely that the left-wing opposition led by Cuauhtémoc Cárdenas will benefit greatly from the uncertainty.

In spite of yesterday's tragedy, the PRI remains the clear favourite to win the August election. Mr Salinas's contribution to the modernisation of Mexico has been considerable. His final task as president is to ensure that progress towards a more pluralistic political system, which means ending the PRI's monopoly of power, is maintained.

The Pru plays hardball

Mr Mick Newmarch, group chief executive of Britain's Prudential Corporation, has never made any secret of his disagreements with Mr Andrew Large, the head of the Securities and Investments Board (SIB). Yet his decision to shun the new Personal Investment Authority (PIA) and to request direct regulation for the Prudential's sales and marketing activities by the SIB is a snub on a gigantic scale. It comes with the full backing of the Prudential's board.

It had been Mr Large's intention to run down the direct regulatory function of the SIB and to hand over the task to the PIA. He has also indicated clearly that an approach from the Pru or anyone else for direct regulation would not be welcome. Mr Newmarch's challenge is thus intentionally confrontational. It is also exceptionally blunt, since yesterday's press release from the Prudential concluded that "direct regulation by the SIB will give us an enhanced opportunity to influence our regulatory environment". In short, this is a hostile act of regulatory arbitrage, one of whose objects is to capture the regulator. There is nothing to stop the SIB borrowing the PIA's rule book and delegating most of its regulatory functions to the subordinate body. Only the SIB's disciplinary procedures cannot be passed down. Nor, after such a public challenge, can Mr Large be expected to do other than ensure that the SIB is no regulatory pushover for the Pru. If he does give the task of monitoring Britain's biggest life company to the subordinate body, the SIB will still be legally obliged to operate a double check.

Majority support

That said, the PIA, whose genesis has been troubled from the outset, cannot operate without overwhelming majority support from the retail financial services industry. If others follow the Pru in preferring to exercise their statutory right to register with the SIB, Mr Large's plans for improved investor protection through a single retail watchdog will be scuppered. The wider question is whether the abrasive manner in which the Pru has put its case will damage its plea for a different, statistically based

Most chairman would adopt a sombre tone when announcing their company's worst-ever results. Yet Mr Jean Peyreleade yesterday seemed remarkably cheerful when he announced that Crédit Lyonnais made a net loss of FF6.9bn (\$800m) in 1993, the biggest in its history.

The reason for his cheer was that, immediately after seeing the results, Mr Edmond Alphandery, the French economy minister, signed a rescue package to recapitalise the bank and clean up its balance sheet.

The critical question for Crédit Lyonnais is whether the rescue, which includes a FF4.9bn capital injection and the transfer for five years of FF40bn of non-performing loans to a new company with the state guaranteeing FF18.4bn, will be enough to stabilise the bank after years of uncertainty. The government is hoping that Mr Peyreleade will bring the restructured Crédit Lyonnais back into the black, with the aim of eventual privatisation.

The crux of Crédit Lyonnais' problems is the aggressive lending and international expansion strategy of Mr Peyreleade's predecessor, Mr Jean-Yves Haberer, who chaired the bank from 1988 until last autumn. The group acquired a network of European retail banks but was left heavily exposed to the economic recession.

Crédit Lyonnais has been forced to write off many of Mr Haberer's loans because of the steep increase in French business failures and the fall in property prices. Both these problems were aggravated by its exposure to a series of corporate setbacks: from Olympia & York, the Canadian property group that collapsed owing it \$350m; to MGM, the selling Hollywood film studio that it owns and into which it has ploughed about \$1.5bn.

When Mr Peyreleade, previously chairman of the Union des Assurances de Paris (UAP) insurance group, was brought in by the government last November, Crédit Lyonnais had just reported a net loss of FF1.06bn for the first half of 1993 and its capital ratio had slipped close to the internationally-agreed minimum of 8 per cent. He realised the bank was in danger of breaching its capital ratio requirements and asked the government for support.

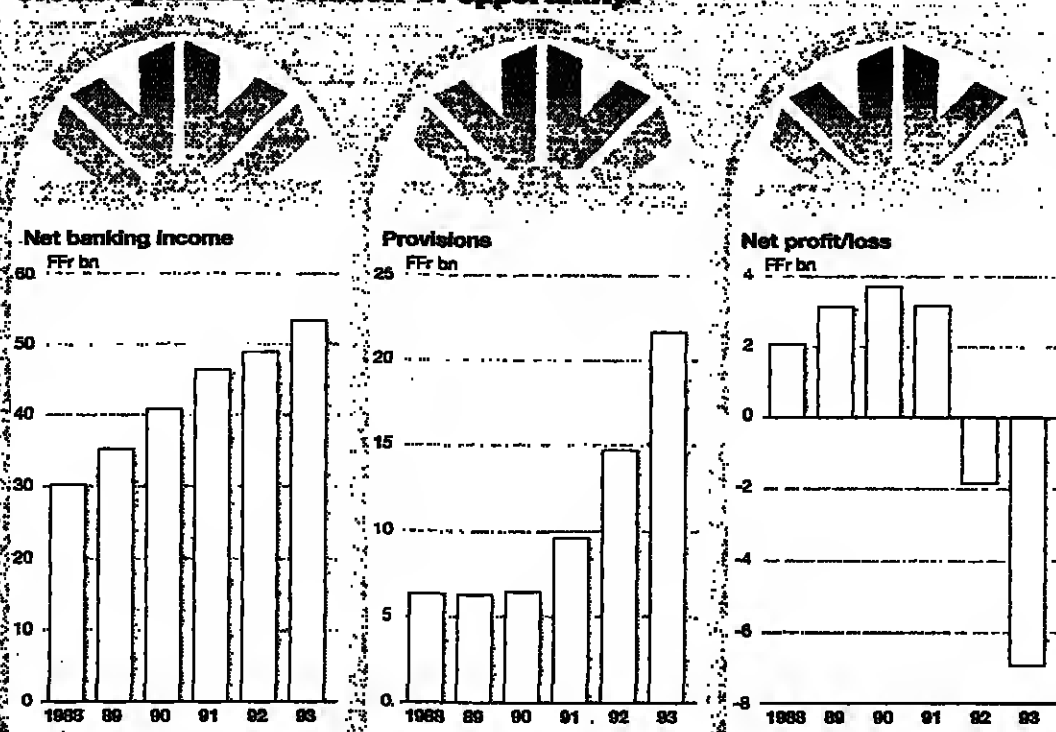
The government, afraid that Crédit Lyonnais might collapse, agreed, even though it was already under fire from the European Commission over a FF2.5bn aid package for Bull, the computer company. It pressed ahead with the rescue despite complaints from other French banks about state support for a competitor.

Banking analysts appear satisfied that the details of yesterday's package - combined with the plan for another capital injection later this

Alice Rawsthorn on challenges facing Crédit Lyonnais after yesterday's rescue

A fillip for its fortunes

Crédit Lyonnais: a window of opportunity?



year and Mr Peyreleade's decision to make hefty provisions of FF21.7bn against the remaining bad debts in Crédit Lyonnais' balance sheet - will stabilise the bank's finances in the short term. "Peyreleade has devoted his first few months to the financial rescue," says Mr Stéphane Arrouays, who follows the French banking sector at BZW Securities. "Now he's got to tackle its strategic problems."

These include rationalising the group's FF55bn portfolio of industrial investments to enable management to concentrate on the core banking business. Mr Peyreleade has drafted in Mr Dominique Bazy, his number two at UAP, to handle the disposals. Mr Bazy intends to sell FF20bn of assets over the next two years and will orchestrate the sale of MGM.

Proceeds from these disposals will help repair Crédit Lyonnais' balance sheet and protect it in case it has to make substantial provisions in the future. Further writedowns

on its commercial banking business are expected this year as the French economy is still fragile and the rate of business failures is high.

Observers are also concerned about the bank's exposure on old

to take any more big hits, I'd have said 'no', says Mr Sasha Serafimovskii, banking analyst at Merrill Lynch, the securities house. "But it's disappointed us so often that now I'm not so sure. All we can hope is that, if the economy picks up, the cracks won't show."

The timing of the recovery will also determine the progress of Mr Peyreleade's efforts, in the wake of yesterday's financial rescue, to improve the performance of Crédit Lyonnais' domestic banking network. A serious problem for France's banks during the recession has been the weakness of the credit market. The amount of credit advanced fell by 4.5 per cent last year, according to the French Banking Association.

"There's no prospect of a real recovery in credit demand or of provisions returning to normal levels until 1995," says Ms Sheila Garrard, who monitors the banking sector at securities house Lehman Brothers. "That means margins will remain

Mr Peyreleade unveiled a cost cutting plan involving a 10 per cent cut in the French workforce of 38,449

loans to Sasea, the collapsed Swiss holding company that is now the subject of an acrimonious court case, and to Mr Bernard Tapie, the controversial French politician embroiled in legal suits over fraud and bribery allegations.

"If you'd asked me last year whether Crédit Lyonnais was going

Action man reputation

David Buchan and Lionel Barber on a bank newcomer

Haberer's over-ambitions expansion of recent years - has become one. The bank may not operate in all 12 European Union countries. But it has more than double the Commission's 15,000 staff, and is now the most trans-European of banks.

At all events, Mr Peyreleade had no hesitation in starting to head-bunt Mr Lamy last October, when he took over Crédit Lyonnais. The two men were socialist comrades-in-arms in the early 1980s. Mr Lamy moved in 1983 from being Mr Delors' chief aide in the finance ministry to succeed Mr Peyreleade as deputy chief of staff to Prime Minister Pierre Mauroy.

As such, they were architects of the nationalisations that Prima Minister Edouard Balladur is now busy undoing. But, evolving out of the hot house of French socialist politicking, both now see themselves - and are evidently seen by

Mr Balladur, who has the last word on top jobs in state-owned bodies like Crédit Lyonnais - as non-ideological managers.

Acknowledging his inexperience, Mr Lamy said yesterday: "I will have to take six to eight months to learn the banking business." Though he becomes a banker on May 1, his last Euro-job will be as Mr Delors' "sherpa", preparing for the Group of Seven summit in July, "because this is something I've done for 10 years". More to the point, however, he says he has steered, and will steer, well clear of any Commission consideration of yesterday's state aid plan for Crédit Lyonnais. "I won't be involved with this in Brussels, or in Paris, from near or from far."

If confirmation were needed that Mr Delors, whose mandate ends this December and whose successor will be named this June, has no more big Euro-projects in mind, Mr

Lamy's departure is it. For if Mr Delors has been Europe's "ideas man", Mr Lamy has been its "action man" - not in routine running of the Brussels bureaucracy, but in getting all the special projects through: the treaty revisions of 1988 and 1992, the single market white paper, the Euro-dimension of Germany's reunification, monetary union, and most recently the Delors white paper on growth and jobs.

He freely owns up to his Brussels reputation as Mr Delors' "hatchet man" or "Exécuteur" [a French missile used to effect by Argentina against UK ships in 1982]. "But those who know me know this is not a trait of my character, but has been a consequence of my function," he says. The moody Mr Delors has never liked to take tough personnel decisions himself. From May 1, Mr Lamy will have a boss who is less squeamish than his old one.

under pressure - unless it cuts costs."

In theory Crédit Lyonnais has significant scope for cost-cutting. Operating costs absorbed 75 per cent of its net banking income in the first half of 1993, significantly higher than Banque Nationale de Paris's 68 per cent or Société Générale's 67 per cent.

Mr Peyreleade yesterday unveiled a cost cutting plan which will involve reducing Crédit Lyonnais' 38,449-strong French workforce by 10 per cent over the next three years - although he may face opposition from the banking unions. Past attempts by French banks, including Crédit Lyonnais, to make more modest cuts triggered a wave of strikes across the industry.

Mr Peyreleade faces an equally difficult task in restructuring the group's European interests. Mr Haberer bought banks in Spain, Italy, the Benelux and Germany with the aim of building the first pan-European retail banking network to offer a cross-border service to corporate customers and a continental payment system for private clients.

The hitch is that, so far, Crédit Lyonnais' management has been so distracted by its financial problems that it has had no time to fulfil Mr Haberer's original ambition of moulding the acquisitions into an integrated network. Moreover, as it is the first bank to have attempted to create such a network, no one really knows whether the grand design will work.

Some observers argue that the European banking market is too fragmented for a cross-border network to operate efficiently and that Crédit Lyonnais would be better off pouring its resources into France, the one area where it has enough critical mass to be a market leader. Others believe that banking, like other industries, will become more international. Mr Arrouays of BZW is convinced that, if Mr Peyreleade can transform the European acquisitions into an homogenous network, it could become "a real strength" over the long term as economic conditions improve.

But in the short term, like others, he is resigned to the prospect of another, albeit smaller, loss for Crédit Lyonnais in 1994, with a return to profit pencilled in for 1995. As soon as the group is in the black, the French government is expected to activate its plans to sell it off to the private sector.

"Is Crédit Lyonnais sellable? Of course it is," says Merrill Lynch's Mr Serafimovskii. "It's a bigger bank than BNP [which was privatised last autumn] and it's riskier. But it's also more exciting. All Crédit Lyonnais needs is to give us some hard facts to prove that it will return to profit. It might even stop being the bank we all love to hate."



Lamy: joining the management from Jacques Delors' staff

Perhaps the most striking evidence of Mr Jean Peyreleade's determination to give Crédit Lyonnais a fresh start is his decision to bring in Mr Pascal Lamy, who has been chief of staff to Mr Jacques Delors, the European Commission president, for the past nine years.

A cryptic communiqué, issued yesterday in Paris and Brussels, merely said Mr Lamy would "join the management" of the bank. But it seems likely that the 47-year-old Eurocrat may end up number two to Mr Peyreleade, although Mr Lamy's precise relation to the bank's two general directors may be of less import. The Crédit Lyonnais president is said to want to run the bank more collegially and to get away from the monarchical style for which his predecessor, Mr Jean-Yves Haberer, and indeed many French bosses are often criticised.

Bringing a man with no commercial banking experience into an institution that self-evidently needs just that, may seem odd. Yet Mr Lamy is an old hand in multinational institutions, and Crédit Lyonnais - thanks indeed to Mr

Kopper's cop-out?

■ When the mighty Deutsche Bank first invited bank analysts for a debriefing after its results a couple of years ago, the Anglo-Saxon scribbles marked the event with a barrage of tricky questions. Their more biddable German colleagues merely proposed a vote of thanks.

Deutsche executives readily admit they do not fully comprehend what international investors expect of them in terms of information disclosure. Hence great excitement at the promise, months ago, that this year's briefing would be handled by Hilmar Kopper, Deutsche Bank's boss, and not an investor relations flunky. Might Kopper lift the veil just a little bit on those impenetrable accounts?

Imagine the let-down when faxes arrived explaining that "unforeseen circumstances" would prevent Kopper from turning up. "As far as I can ascertain, that consists of a board discussion and a credit meeting," scoffed one crest-fallen analyst. Clearly the Germans still think one buys Deutsche Bank shares because they are there.

Abandoning ship

■ Robin Young, head of the local government directorate in the Environment department, has made a miraculous escape from the

shambles surrounding the reorganisation of local government in England.

He's been a keen supporter of the move towards smaller unitary authorities ever since he headed Michael Heseltine's 1991 rethink on local government. This spawned the Local Government Review, which, under Sir John Banham, has threatened to abolish much-loved counties such as Somerset and North Yorkshire. Local business interests are up in arms while county and district councils are locked in a debilitating battle for survival. Tory backbenchers want the whole farrago called off.

Despite this, Young has been promoted to become Mr London, the capital's first regional director. What sort of organisation promotes the key manager in the middle of radical changes that have run into choppy water?

Spaghetti spiral

■ False alarm. Earlier speculation that Birmingham, the biggest authority in England, might make a bit of history by appointing a woman as chief executive was wide of the mark. At the end of the day it has done the orthodox thing. Michael Lyons, now chief executive of Nottinghamshire, will be its next chief executive.

He knows his way around already. One resting place on his path of upward mobility was none

OBSERVER



"We learnt lots of Latin in sex class today"

other than the Birmingham City Council. He was a Labour member, but before Labour won control in 1984. The background knowledge could help when the going gets tough, as it no doubt will.

Own goal

■ Brian Laudrup, the Danish national soccer star, probably had a wonderful future with Italian club, AC Milan.

Note the past tense; in his first season with the club, Laudrup seems more intent on scoring points against Milan's chairman and owner - Silvio Berlusconi, rising

force of Forza Italia, the Italian political party aiming to attract middle-class voters in Sunday's election.

The Danish striker says Berlusconi wrongly mixes sport with politics. "In other countries the presidents of football clubs are elected. Here in Italy they are more or less dictators. They do exactly what they want and take decisions over the heads of their trainers and managers."

But let's not be too beastly to Berlusconi, aka *sua emittenza*, or his transmittance. Based on Laudrup's description, the media tycoon doesn't sound any worse than many chairmen of British premier league sides.

Counting on you

■ A paper at yesterday's British Accounting Association conference concluded - 36 pages of densely packed detail later - that experienced auditors are more adept at picking up errors and irregularities than new recruits. Wow.

Still hunting

■ Tut tut. Geography's obviously not the strong suit of the tweed set. CGA Services, a Glasgow-registered company that owns Country, the magazine of the Country Gentlemen's

Association, has caught its leg in its stirrup. Rural pursuits may be its strong point but figures obviously are not. Although its accounts for the year to April 1993 were due by the end of February, Companies House in Edinburgh is still waiting.

So what is CGA - on whose board sit, for some reason, Sunday Times editor Andrew Neil as well as his old Glasgow chum Gerald Malone, a deputy chairman of the Conservative Party - thinking of? Malone's office had a ready explanation. The company's accountants apparently sent the figures to Companies House in Cardiff rather than its equivalent north of the border.

Tank battle

■ Heard the one about the fish which drowned? It happened the other day at Grimsby's National Fishing Heritage Centre in Grimsby when a 75-year-old lobster, called Claws, fell out with the Codfather, the museum's prize cod.

Although the cod lost half its tail, the official autopsy showed that the cod turned up its fins because it had been drowned by Claws.

The council-owned fish tank, visited by over 160,000 people a year, intends to keep the Codfather's replacement in a separate tank from Claws in a bid to maintain a durable cod peace...



FINANCIAL TIMES

Friday March 25 1994

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Brussels extension of deadline averts crisis Europe's steelmakers win more time for cuts

By Gillian Tett in Brussels,
Andrew Baxter in London and
John Sinkins in Milan

An end to the crisis in the European Union steel industry was in sight last night after the European Commission agreed to give private sector steelmakers more time to finalise cuts in capacity.

The agreement, between industry chiefs and Mr Martin Bangemann, industry commissioner, averts a collapse in relations between the Commission and unsubsidised EU steel producers.

These companies have been reluctant to offer capacity cuts, which are vital to the future of the industry, because they do not believe the Commission has taken a tough enough line on curbing subsidies to some producers, mainly in Germany, Italy and Spain.

The plan, agreed on Wednesday night, is expected to result in total cuts of about 15m tonnes of hot-rolled product capacity in the industry. Last month the industry indicated the maximum cuts

it could offer would be 17m tonnes, compared with cuts of between 19m and 25m tonnes demanded by the Commission.

But offers of reductions in the Italian private sector, including the Bresciani steel mills, and proposed mergers would increase these cuts by several million tonnes, the Commission said.

In exchange, Mr Bangemann has backed down from a threat to halt an Ecu240m (\$264m) aid package offered to the industry, to help with the restructuring and capacity cuts being demanded. Last month he threatened to block this aid, along with monitoring of imports from eastern Europe, if the industry did not provide a viable restructuring plan before a meeting of the EU industry council on April 22.

The industry has now persuaded the Commission to delay a decision on the proposed aid package until November, to give the industry more time to develop a restructuring plan and allow the Italian government to introduce the legislation needed to carry out cuts.

At the same time, it was unlikely that the German government would be able to approve proposed mergers in the German industry before the autumn, the Commission said.

The Commission refused to specify the precise level of the proposed cuts in the different product sectors.

But "even if 70 per cent of the cuts occurred" this would result in a reduction of more than 18m tonnes, it said. Steelmakers had also offered to forego any further demands for state aid until November.

The new reductions on offer appear to be little more than a cosmetic juggling of previous commitments. Eurofer, the European steel confederation, insisted that the final figure for reductions was still likely to be "slightly less than 18m tonnes".

"We are no longer in a deadlock with the Commission," it said. "The figures are not that different, but the big difference is that it is accepted that the process cannot occur in a short time."

Hotline set up as EU fights 50% increase in fraud

By Lionel Barber in Brussels

Organised crime is to blame for a 50 per cent increase to Ecu394m (\$433m) in reported fraud against the European Union budget last year, the Commission said yesterday.

Criminals were exploiting the dismantling of internal borders in the single European market to carry out ever more sophisticated fraud, said Mr Peter Schmidhuber, budget commissioner.

The German commissioner responded yesterday with a fresh anti-fraud offensive, including a freephone service aimed at encouraging informers to tip off Brussels.

Most cases of fraud occurred in the Ecu35bn a year Common Agricultural Policy budget, which offers generous price supports, export subsidies and refunds to Europe's farmers.

In one typical instance, French and Italian criminals bought refined sugar in Rotterdam, claiming it was bound for Croatia and Slovenia. But the cargo was diverted secretly to Italy, via Belgium, Luxembourg and France, possibly for sweetening wine.

The estimated fraud was Ecu1.6m, the net effect of the effort to circumvent the mandatory compensatory levy for placing sugar on the EU market.

Mr Schmidhuber said it was impossible to calculate precisely how much money was being lost as a result of fraud because the Commission relied on cases being reported by member states. But he admitted: "The amount of fraud is obviously far higher than we have detected."

The Commission's new fraud action plan includes more use of computers, remote sensing to track phantom olive groves and a plan for a freephone service in each EU country so that the public can report frauds to the Commission fraud taskforce.

"I know we won't only get serious calls. There is the risk of crank calls and pranksters, but we still think it is worthwhile taking that risk," he said. Mr Schmidhuber added the Commission was also examining whether to set up an informers' fund and a blacklist of companies and individuals caught engaging in fraud. But both were fraught with legal difficulties.

Britain looking to Bonn for way to resolve votes dispute

By Lionel Barber in Brussels and
Philip Stephens in London

The UK is looking to Germany to forge a face-saving compromise in the dispute over voting rights which risks delaying the entry of four new countries into the European Union next year.

After Mr John Major dropped hints of flexibility in the UK negotiating position yesterday, senior British officials expressed hope that Germany might be able to coax EU partners into reciprocal movement at this weekend's meeting of European foreign ministers in Greece.

Germany has opposed British and Spanish demands to preserve voting rules allowing two large member states and one small country to block decisions in the Council of Ministers.

The UK, however, appears to be gambling that Chancellor Helmut Kohl's desire to bring Finland, Sweden, Austria and Norway into the EU by January 1 1995 may spur new flexibility.

Even if the deadlock is not broken in Greece, one well-placed UK official said it might be possible to reach a deal before Easter.

Mr Klaus Kinkel, German foreign minister, said after a meeting with Mr Alain Juppé, his French counterpart, that any deal on voting rights must not come at the price of weakened decision-making in an expanded Union.

Hopes of a compromise revolve around a trade-off in which the UK and Spain concede that the "blocking minority" must rise from 23 to 27 votes to take account of the four new members.

In return, Britain and Spain would win a legally binding protocol giving countries mustering between 23 and 27 votes an automatic right to delay decisions.

The UK is holding out for a delay until the 1996 intergovernmental conference to review the Maastricht treaty. Mr Major's absolute "bottom line" was described by senior Whitehall insiders as an agreement which in no way eroded the ability of minorities to block contentious legislation on employment and social issues.

The difficulty is codifying such a compromise without arousing the opposition of the European Parliament, which must give its assent to the accession treaty.

Legal experts in Brussels dismissed the notion of putting a legal ring-fence around social legislation, or creating a two-tier voting system to deal with such contentious issues.

Mr Major told the House of Commons that an agreement would be possible "within a matter of days" if other European governments had the political will to reach a settlement.

David Gardner in Brussels adds: Mr Theodoros Pangalos, the Greek European affairs minister, who will be chairing this weekend's meeting in Greece, last night described the British stance as "the blackmail of a tiny minority".

International share and bond prices badly hit

Continued from Page 1

Eurobond, a 10-year dollar-denominated bond for Bancamerica, fell from 90 to 86½, but rose from its intraday low of 84.

The fall in Latin American debt had a domino effect on US treasuries and European government bonds, with UK government bonds suffering most. In

the US prices fell across the maturity range.

Mr George Magnus, chief international economist at S.G. Warburg in London, said there were fears that international investors would have to lighten their holdings of US and European government bonds in order to offset losses on their investments in Latin American debt.

Long-dated gilts fell by more than 2 points yesterday and the sheer pace of the fall prompted the Bank of England to attempt to stabilise the market by offering to buy back cash gilts from marketmakers. However, the support operation only had a fleeting impact.

The bearish sentiment also weighed on the UK stock market,

pushing the FT-SE 100 index down by 33.6 to 3,121.7 at the close.

On foreign exchange markets the D-Mark strengthened across the board with sterling and the dollar both trading at four-month lows against the German currency. Yesterday evening the dollar was trading at DM1.6650 against the D-Mark.

FT WEATHER GUIDE

Europe today

A zone of low pressure over south-east Finland will bring snow showers and cloud and rain to much of Russia and the northern Balkans. England, the Benelux and Germany will have cloud and rain. Southern Scandinavia and northern Poland will have broken cloud and scattered showers.

Scotland will have showers, and conditions will be wintry in the highlands. The Alps will have morning sunshine, but cloud will increase in the afternoon. Southern Europe will remain sunny and quite warm.

Five-day forecast

A zone of high pressure will flow from the Atlantic to the continent during the weekend.

Rain will die out and the sun will return, but central France and the Alps will be cloudy and rainy on Saturday.

Southern Europe will remain sunny, but showers are forecast next week for most of the UK, western France, Portugal and parts of Spain. Sunday morning will be generally frosty.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	31	Belfast	10	Cardiff	11	Frankfurt	11
Accra	31	Berlin	12	Chicago	14	Geneva	10
Algiers	25	Birmingham	12	Cologne	14	Glasgow	10
Amsterdam	10	Bombay	34	Dakar	25	Hamburg	10
Athens	22	Brussels	13	Dallas	24	Helsinki	10
B. Aires	23	Buckingham	13	Delhi	32	Hong Kong	20
Bombay	34	Cardiff	11	Dubai	32	Honolulu	25
Buenos Aires	21	Cairo	23	Dublin	10	Istanbul	18
Bangkok	32	Cape Town	25	Dubrovnik	20	Jersey	12
Batavia	21	Caracas	25	Edinburgh	10	Karachi	23
Beijing	12	Cebu	25	Fao	22	Kuwait	23
						L. Angeles	15
						Lao Pao	23
						Lima	27
						Lisbon	12
						London	12
						Luxembourg	13
						Lyon	13
						Moscow	21
						Madrid	25
						Manila	23
						Mexico City	27
						Miami	27
						Milan	23
						Montreal	10
						Moscow	21
						Murcia	18
						Nairobi	21
						Naples	18
						Nassau	20
						New York	19
						Nice	19
						Nicosia	19
						Osaka	18
						Paris	17
						Perth	24
						Prague	15
						Rangoon	33
						Reykjavik	17
						Rio	26
						Riyadh	28
						Rome	15
						S. Francisco	15
						Singapore	30
						Stockholm	19
						Strasbourg	19
						Sydney	23
						Taipei	21
						Tel Aviv	21
						Tokyo	18
						Toronto	5
						Tunis	25
						Vancouver	12
						Venice	19
						Vienna	18
						Warsaw	12
						Washington	18
						Wellington	15
						Winnipeg	3
						Zurich	17

Situation at 12 GMT Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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German Airlines

THE LEX COLUMN Allied's Latin adventure

It is odd that Allied-Lyons' shares should have fallen by 7 per cent if its deal with Domeq really is a strategic breakthrough. A significant part of the fall reflected disappointment with the 1993-94 profits estimate included in the rights issue document. It does not help that the issue was announced on a day when the market was fretting about the future course of interest rates. Nor was yesterday the best time to announce the purchase of a business which derives half its profits from Mexico. Still, the strategic benefit must also be qualified.

On the plus side, Allied appears to be paying a reasonable price for a purchase which sharpens its focus on drinks. The multiple of 15.3 times is substantially below the that Guinness paid for Moët Hennessy, and while the latter's brands are stronger, Allied is buying a controlling stake. The operational advantages may be limited, since Allied already distributes its products through the Domeq network. But it may now be easier to use Domeq as a springboard to develop its regional presence. Allied will also be able to consolidate an earnings stream from the fast-growing Latin American drinks market.

Less certain is the benefit in terms of cash. Allied has hitherto received only small dividends from its investment in Domeq. Now it will have control over Domeq's entire cash flow, but that will not necessarily help reduce group debt. Domeq's small dividends evidently reflected the reinvestment of cash in its business. After the deal Allied will still face the constraint of a 72 per cent gearing ratio. And it will have to wait before playing the rights issue card again.

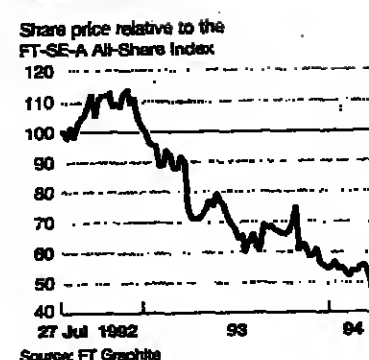
Wellcome

The 8 per cent drop in Wellcome's shares seems a particularly virulent response to a company which has had the good grace to raise its interim dividend 79 per cent. But Wellcome's results confirmed many of the market's worst fears about its earnings prospects. Volume growth fell to 3.5 per cent. The 2.4 percentage point growth in margins to 32.9 per cent was striking but may quickly be reversed. The withdrawal of an anti-herpes compound fuelled further worries about Wellcome's drug pipeline, while the looming expiry of Zovirax's patents causes great uncertainty.

By valuing it at 11 times historic earnings, the market clearly views Wellcome as a dud investment story.

FT-SE Index: 3121.7 (-33.6)

Wellcome



That may prove justified in the immediate future. But from a long-term perspective it seems faintly absurd. Wellcome boasts a solid balance sheet and strong cash generation. It retains impressive expertise in anti-viral medicines. Health is the most certain growth business in the world.

Given the low penetration levels of its main drugs and the substantial under-utilisation of its manufacturing capacity, Wellcome could yet grow its markets by driving volume and dropping price as theory would suggest. The sums are hugely complicated by the regulatory restrictions affecting the marketing and distribution of drugs. Even so, Wellcome's experience reinforces the view that pharmaceutical companies should rethink the basic economics of their business.

Sun Alliance

The practice of laying down reserves against future claims makes insurance companies' figures extremely difficult to judge. Releasing reserves against mortgage indemnity and subsidence claims yesterday helped Sun Alliance deliver full year results well above the stock market's expectations. That is not to belittle the underlying improvement in underwriting performance. Premium income in the UK actually fell last year as the company surrendered market share in the interest of profit.

But Sun Alliance cannot watch its UK business shrink indefinitely. The company needs to show it can compete with low-cost insurers such as Direct Line, which are turning their attention to household as well as motor insurance. True, 1m policy-

holders buy directly from Sun Alliance, mainly through newspaper advertisements. But it is doubtful whether that business has the technology or low enough costs to compete on price with telephone-based sellers. The 700 loss-making insurance broking offices operated under the Swinton banner might help defend UK market share. But since Swinton lost around 200,000 customers last year, time is running out.

Having underperformed the market by 30 per cent since last summer, though, the shares stand on a yield of 5.5 per cent and a multiple of only nine times this year's forecast earnings. On all but the most pessimistic view of the insurance cycle, Sun Alliance - in common with the rest of the sector - is starting to look cheap.

Dividends

It is hard to accuse BAT of being stuck in the mud. The company pioneered the controversial enhanced scrip dividend last year, and is leading the pack with the foreign income dividend now. Both have the express purpose of saving unrelieved advance corporation tax, but BAT may find that fewer others will copy its latest innovation. In part that is because the FID regulations are onerous. Despite earning almost three-quarters of its income abroad, BAT only decided that it should issue a FID after extensive work. Other companies may not pay enough overseas tax on their earnings to qualify. Nor do FIDs have the same cash-flow advantages as enhanced scrips, which were often used by companies with as much of a cash flow as a tax problem.

Institutional reaction may also be mixed. BAT has structured its FID so that tax-exempt funds do not suffer, but the main gain goes to tax-paying shareholders. There may be some resentment of this, despite the fact that FIDs put taxpaying and tax-exempt shareholders on an equivalent footing. Equally, however, taxpayers will have to accept that if the company does not pay a FID in future years, their payment may fall.

Unless companies are allowed to stream foreign income to taxpaying and UK income to tax-exempt shareholders, FIDs will have limited appeal. Permitting that would, however, make it difficult for the Treasury to distinguish between the sheep, who earn substantial sums abroad, and the goats, who pay excessive dividends from inadequate UK profits.

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IN BRIEF

Nestlé stronger than expected

Nestlé, the world's largest foods and mineral waters group, has reported a stronger-than-expected 7 per cent rise in 1993 net income. It has also damped recent speculation that the arrangements between it and L'Oréal, the French cosmetics group, would change soon. Page 20

Swedish builders return profit

Skanska and NCC, Sweden's top two construction and property groups, returned to profit in 1993 after severe losses. Page 20

Loral heads satellite move

Loral, the US defence electronics and aerospace group, has assembled a group of "strategic partners" and secondary investors to provide initial financing for a proposed \$1.8bn satellite communications system, known as Globalstar. Page 22

Tougher going for US banks

US banks are preparing to cope without falling interest rates and steep US yield curve of the 1990s which created an ideal banking environment. Page 22

Digital improves in PCs

Hopes of recovery at Digital Equipment, the troubled US computer maker, were boosted recently by indications that the company is reversing its previously disastrous performance in the key personal computer (PC) sector. Page 21

FT-Actuaries World Indices changes

The FT-Actuaries World Indices Policy Committee has agreed quarterly changes to the constituent stocks of the indices, to take effect on April 1, 1994. Page 23

Sun Alliance back into the black

Sun Alliance, one of the UK's largest insurers, returned to profit in 1993, after three consecutive years of losses. Page 25

Dollar helps Reckitt & Colman

A sharp rise in the dollar helped Reckitt & Colman, the US consumer goods group, to increase pre-tax profits. The 17 per cent appreciation in the dollar against the pound, and other exchange rate moves, added around £15m to pre-tax profits. Page 25

United Newspapers ahead

United Newspapers, UK newspaper publishers, yesterday reported a 25.3 per cent rise in pre-tax profits with all divisions contributing despite difficult trading conditions. Page 27

Geest hit by disease

Political uncertainty over bananas, coupled with disease on its Costa Rican plantations, pushed Geest into the red for the year ended January 1. "Our problem is all about bananas," said Mr David Sugden, chief executive of the fresh produce and prepared food group. Page 28

Williams expands in US

Williams Holdings, the UK industrial conglomerate, yesterday announced its second US acquisition in three months with the \$50m purchase of Forney International, a provider of human management systems for power stations. Page 28

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Chief price changes yesterday

FRANKFURT (DEM)		Falck	788	-	28	
Alcoa	1079	+ 39	Accor	623	-	28
Alkermis farm	1270	+ 40	Air Liquide	870	-	20
Alstom	985	+ 13	DSM	720	-	34
Alstom Ind	620.5	- 12	LMVH	943	-	30
Bell	880	- 10	Seyen	2712	-	128
Bell & Sals	143	- 7.5	TOREDO (West)			
NEW YORK (S)			Bleisner	584	+ 34	
Comcast	1164	- 4h	Isolan	1780	+ 80	
Dynegy	55h	- 2h	Jacobs	424	+ 44	
Do Post	56h	- 1h	Magnum	788	+ 44	
Fort	604	- 2h	Suzuki Motor	1320	+ 80	
Gen Motors	58	- 1h	Phatla			
Int Power	62h	- 1h	Yamaha Motor	900	-	30
PARIS (FFP)						
Alstom	1079	+ 39	Alstom	1079	+ 39	
Alstom Ind	620.5	- 12	Alstom Ind	620.5	- 12	
Bell	880	- 10	Bell	880	- 10	
Bell & Sals	143	- 7.5	Bell & Sals	143	- 7.5	
NEW YORK (S)			Comcast	1164	- 4h	
Comcast	1164	- 4h	Dynegy	55h	- 2h	
Dynegy	55h	- 2h	Do Post	56h	- 1h	
Do Post	56h	- 1h	Fort	604	- 2h	
Fort	604	- 2h	Gen Motors	58	- 1h	
Gen Motors	58	- 1h	Int Power	62h	- 1h	
Int Power	62h	- 1h	PARIS (FFP)			
PARIS (FFP)			Alstom	1079	+ 39	
Alstom	1079	+ 39	Alstom Ind	620.5	- 12	
Alstom Ind	620.5	- 12	Bell	880	- 10	
Bell	880	- 10	Bell & Sals	143	- 7.5	
Bell & Sals	143	- 7.5	NEW YORK (S)			
NEW YORK (S)			Comcast	1164	- 4h	
Comcast	1164	- 4h	Dynegy	55h	- 2h	
Dynegy	55h	- 2h	Do Post	56h	- 1h	
Do Post	56h	- 1h	Fort	604	- 2h	
Fort	604	- 2h	Gen Motors	58	- 1h	
Gen Motors	58	- 1h	Int Power	62h	- 1h	
Int Power	62h	- 1h	PARIS (FFP)			
PARIS (FFP)			Alstom	1079	+ 39	
Alstom	1079	+ 39	Alstom			

INTERNATIONAL COMPANIES AND FINANCE

French bank defies trend to lift earnings by 10%

By Alice Rawsthorn in Paris

Crédit Commercial de France last year withstood the pressures on the French banking sector to lift net profits 10.2 per cent, to FF1.08bn (\$188m) from FF978m in 1992. The gain came in spite of losses at the recently-acquired Banque de Savoie.

Mr Charles de Croisset, who last summer replaced Mr Michel Pébereau as chairman when he left to head Banque Nationale de Paris, said he expected the group to continue improving this year, and record its "11th consecutive year of profits growth".

The principal problem for CCF during 1993 was Banque de Savoie, the regional banking group in which it has raised its stake from 24 per cent to 56 per cent. The bank, which has been badly affected by the economic recession in its area of southern France, saw net losses deepen to FF110m from FF29.4m in 1992.

Mr de Croisset said he planned a capital increase to refinance Banque de Savoie. "It ought to help Banque de Savoie to find its feet again," he said.

In spite of Banque de Savoie's difficulties, CCF mustered a 12.7 per cent increase in

net banking income, to FF9.2bn last year from FF8.2bn (restated).

CCF also lifted gross operating profits by 23.5 per cent, to FF3.21bn from FF2.6bn (restated), over the same period.

However, the group was also forced to raise net new provisions by 15.7 per cent, to FF1.54bn from FF1.33bn. Consequently, it trimmed the growth in net attributable earnings per share to 5 per cent, with an increase to FF18.03 from FF17.12.

The board has decided to increase the dividend to FF4.30 from FF4.1.

Net profits stabilise at L'Air Liquide

By Alice Rawsthorn

L'Air Liquide, the world's largest industrial gases group, saw net profits stabilise last year at FF2.225bn (\$370m) against FF2.221bn in 1992.

Mr Edouard de Royère, chairman, said the static result had been achieved "despite the difficult economic situation".

He declined to comment on the group's prospects for the current year but noted the improvement in conditions in both the US and Europe.

L'Air Liquide mustered a 1.5 per cent increase in turnover to FF30.37bn last year from FF29.92bn in 1992.

The group, which last year implemented a wide-ranging internal reorganisation programme, maintained its level of investment during 1993, but managed to reduce gearing by two percentage points, to 18 per cent.

Thomson-CSF warns of loss

Thomson-CSF, the state-controlled French defence electronics company, yesterday warned that it would report a loss for 1993 because of its 21.6 per cent stake in Crédit Lyonnais, the troubled banking group, writes Alice Rawsthorn.

The company, which made net profits of FF1.52bn (\$250m) in 1992, said that it made a "very good" operating profit in 1993. However, it has been tipped into the red by its share of the FF4.9bn net loss sustained last year by Crédit Lyonnais.

The bank has unveiled details of a rescue package, including a FF1.2bn capital increase. Thomson-CSF will be expected to participate in the capital for the package will be provided by the Thomson group, which is Thomson-CSF's parent company.

Thomson is considering financing the capital increase by selling up to 8.3 per cent of its 58.3 per cent holding in the defence electronics concern.

Nestlé surprises with 7% climb

By Ian Rodger in Vienna

Nestlé, the world's largest foods and mineral waters group, has reported a stronger-than-expected 7 per cent rise in 1993 net income, to SF2.89bn (\$2bn).

It has also dampened recent speculation that the arrangements between it and L'Oréal, the French cosmetics group, would change soon.

A 20-year contract, under which Nestlé and L'Oréal, the 51 per cent controlling stake in the cosmetics

group, expires tomorrow.

Nestlé said yesterday the contract provided for the continuation of the right of first refusal for both sides. "I cannot see why anything should happen," the group said.

It said the gain in its trading profits last year was greatest in countries outside of Europe and the Americas, giving support to the recent view in investor circles that its commitment to developing countries is beginning to pay off.

Total trading profits were up 8.5 per cent, to SF6.14bn, with those in North and South

America advancing 5.9 per cent to SF1.28bn. In Europe, they gained 9.6 per cent, to SF2.59bn, and in the rest of the world they jumped 13 per cent to SF1.37bn.

Total sales advanced 5.5 per cent to SF7.57bn, in spite of a 1 per cent decline in Europe to SF2.67bn. Sales in North and South America were up 10.6 per cent to SF2.124bn, while those in the rest of the world increased 14.2 per cent to SF2.78bn.

Nestlé said cashflow improved 6.3 per cent, to SF4.97bn. This helped the group reduce its net debt at

year-end to SF8bn, compared with SF9.9bn a year earlier, following the SF2.2bn Source Perrier acquisition.

Net financing costs last year jumped 15.2 per cent to SF885m.

The group accelerated its cost-cutting efforts, charging SF611m to exceptional rationalisation costs, 51 per cent more than in 1992. That left pre-tax profits of SF4.64bn, 4 per cent higher than in the previous year. The directors are proposing a 6.4 per cent rise in dividends, to SF25 per share, on capital enlarged by last year's rights issue.

Partial float for Dutch group

By Ronald van de Krol in Amsterdam

Ballast Nedam, the Dutch construction group which was formerly owned by British Aerospace, is to be partially floated on the Amsterdam stock exchange in an offering scheduled to take place before the end of April.

A minimum of 2m cumulative preference shares are to be offered for sale by ING Group of the Netherlands, which bought Ballast Nedam for

Fl 500m (\$263m) in December as part of a consortium that also included Hochtief, the German construction group, and the Ballast Nedam pension fund. The price of the shares will be announced later.

The consortium had said earlier that a flotation in the spring was expected, but had given no details.

Ballast Nedam has a share capital of 10m shares, divided between 5.3m ordinary and 4.7m cumulative preference shares.

The company plans to apply for a listing for all of its preference shares, of which at least 2m will be offered by sale out of ING Group's stake of 49.99 per cent.

ING's banking subsidiary ING Bank will lead manage the issue.

Hochtief's stake will be unchanged at 48 per cent, as will the pension fund's 2.1 per cent holding.

Ballast Nedam was listed on the Amsterdam bourse before its takeover by BAe in 1997.

VW turmoil pushes up wages bill

By Christopher Parkes in Wolfsburg

Sackings and resignations among the Volkswagen leadership contributed to a sharp rise in the loss-making group's boardroom wages bill last year.

Payments to members of the management board rose by around 25 per cent, while remuneration and pensions for former directors more than doubled, according to the group's annual report, published yesterday.

Although there were only seven directors at the end of 1993, compared with nine a year earlier, total boardroom remuneration rose to DM12.9m (\$7.7bn) from DM10.2m.

Mr Werner Schmidt, finance director, said he was not able

to explain the increase.

However, a spokesman later attributed the difference to the overlap effects of incoming and outgoing directors, which had markedly increased the number of monthly salary payments last year.

He also noted that board members' pay had been cut 20 per cent this year, following the recent introduction of a four-day working week for the German workforce, accompanied by substantial pay cuts.

According to the report, the group's supervisory board appeared to have taken its pay cuts last year, when its total remuneration fell from more than DM1m to DM190,000. Mr Schmidt said the numbers were too small to concern him. Golden handshakes for three

departing main board directors are understood to have contributed to the jump, to DM16m, in payments to "retiring" members, which are covered from provisions for current pensions. These provisions also rose, from DM78m to DM107m.

Last year was marked by a bout of boardroom turmoil following the arrival in January of the new chairman, Mr Ferdinand Piech and his hiring of the controversial Mr José Ignacio López de Arriortúa, General Motors' former global purchasing chief, in March.

At the time, the company repeatedly denied reports of an excessive salary for the newcomer, insisting he was to be paid at normal rates.

Skanska, NCC return to black

By Hugh Carnegie in Stockholm

Skanska and NCC, Sweden's top two construction and property groups, yesterday reported a return to profit in 1993 after severe losses in 1992.

However, both companies continued to be hit by the slump in the Swedish market, relying on lower write-downs and income from investments to see them back into the black.

Revenues were down for both groups, reflecting another tough year - especially in Sweden, where the property and construction sectors have been hit hard by recession.

Mr Jan Sjöqvist, president of

NCC, said property prices and rent levels were stabilising, although there were variations between geographical areas and market segments. Infrastructure investment was also regaining momentum.

However, he warned: "Investments in the construction sector will remain low in 1994 and 1995, but should begin to show growth again in 1996."

Skanska showed the biggest improvement in 1993, swinging to a profit after financial items of SKr1.1bn (\$149m) from a loss in 1992 of SKr3.98bn. NCC reported a profit after financial items of SKr1.75m following a deficit in 1992 of SKr1.63bn.

Skanska increased its dividend to SKr3.25 per share from

SKr1.50, but NCC suspended its dividend, as it did for 1992.

Total revenues at Skanska were down 9 per cent at SKr28.9bn, with the share of revenues taken outside Sweden rising from 14 to 23 per cent. Revenues from Swedish construction slumped to SKr14.8bn from SKr17.4bn. Property write-downs of SKr2bn were less than half the SKr4.3bn incurred in 1992.

NCC's total revenues slipped to SKr17.6bn from SKr20bn. But non-recurring income of SKr463m, against a loss of SKr324m in 1992, and write-down costs cut to SKr371m from SKr1.4bn, resulted in an operating profit of SKr961m after a loss in 1992 of SKr649m.

Volvo sells 4.6% stake in Norwegian oil group

By Hugh Carnegie

Volvo of Sweden yesterday took another step to concentrate on its core motor industry operations when it announced the sale to unnamed international institutions of its 4.6 per cent shareholding in Norway's Saga Petroleum for Nkr458m (\$62m).

The sale, which brought Volvo a capital gain of SKr350m, follows the disposal last month of the company's 30 per cent voting stake in the investment group Custos for SKr1.74bn.

The Custos sale was the first divestment made by Volvo after it pulled out of a plan to

merge its car and truck operations with state-owned Renault of France.

Since then, Volvo has made clear that it intends to concentrate on strengthening its car and truck divisions, where it will have to bear the heavy costs of new model development alone - at least until it establishes a new partnership with another motor group.

But so far Volvo has looked to peripheral holdings to divest and has given no indication that it intends to cut its commitment to its main non-core holdings in HCF, the consumer products group, and Pharmacia, the pharmaceuticals group.

John Mowlem launches £63m rights issue

By Andrew Taylor in London

John Mowlem, the UK contractor and construction equipment group which owns London City Airport, yesterday launched a £63.1m (\$92m) rights issue after the company revealed it would breach loan covenants.

Mowlem, which last year made a pre-tax loss of £124.2m after provisions and property write-downs, also intends to sell its UK housebuilding business. The group has previously raised £100m from disposals. It has already announced it wants to sell London City Airport.

Sandoz posts 14% advance

By Ian Rodger

Sandoz, the Swiss pharmaceuticals and chemicals group, said its consolidated net income jumped 14 per cent last year to SF1.7bn (\$1.2bn), due to increases in drug sales volume, improved margins in its chemicals and environment sector and higher financial income.

This news, plus the proposal by directors to split the shares five-for-one and convert the participation certificates into registered shares, was well received in the markets. The registered shares gained SF20 to SF3.970 and the certificates put on SF50 to SF3.970.

Sandoz also announced that Mr Marc Moret, the chairman, would pass on the function of chief executive to Mr Rolf Schweizer, the vice-chairman. Sandoz said the move should not be read as a slight to Mr Daniel Wagnière, appointed chief operating officer a year ago. It was part of a plan to ensure a step-by-step succession process.

Group sales rose 5 per cent to SF15.1bn and operating income was up 9 per cent to SF2.2bn. Sandoz said its operating margin in the life sciences sector, comprising pharmaceuticals, nutrition products and seeds, advanced from 15.6 per cent to 16.7 per cent in spite of the unfavourable business climate. The directors proposed a 23 per cent rise in dividends.



Highlights 1993

Jardine Strategic

Further Steady Growth

- Net assets per share + 79%
- Earnings per share + 8%
- Dividends per ordinary share + 9%

"The financial strength of each of the Company's strategic investments, the diversity of their businesses and the quality of their management provide good reason for confidence that Jardine Strategic will continue to benefit from the above average economic growth of the Asia-Pacific Region, where the preponderance of our business interests lies."

Henry Keswick, Chairman
24th March 1994

1993 RESULTS

	Year ended 31st December 1993	1992
	US\$m	US\$m
Turnover	5,144.5	4,891.1
Operating profit	256.7	195.4
Share of profits less losses of associates	382.9	322.2
Net interest expense	(26.9)	(35.6)
Profit before taxation	566.7	483.1
Taxation		
— Company and subsidiary undertakings	(34.1)	(24.9)
— associates	(76.3)	(64.4)
Profit after taxation	456.3	393.8
Outside interests	(149.3)	(131.5)
Profit after taxation and outside interests	306.0	262.3
Extraordinary items	89.2	59.9
Profit attributable to Shareholders	374.2	321.2
Preference dividends	(31.0)	(11.6)
Profit attributable to ordinary Shareholders	343.2	309.6
Ordinary Dividends	(90.4)	(83.5)
Retained profit for the year	252.8	226.1
Net assets (note)	7,506.4	3,803.1
	US\$	US\$
Earnings per share		
— basic	38.01	34.53
— fully-diluted	35.55	33.68
Dividends per ordinary share	12.50	11.50
	US\$	US\$
Net assets per share (note)		
— basic	8.47	4.29
— fully-diluted	7.51	4.19

Note: Based on the market price of the Company's holdings. Fully-diluted net assets per share assume full conversion of the outstanding convertible preference shares.

Jardine Strategic Holdings Limited
Incorporated in Bermuda with limited liability



A member of the Jardine Matheson Group

The final dividend of US\$0.20 per ordinary share will be payable on 9th June 1994, subject to approval at the Annual General Meeting to be held on 2nd June 1994, to Shareholders on the register of members at the close of business on 22nd April 1994. The ordinary share registers will be closed from 22nd to 25th April 1994 inclusive. The ordinary dividend will be payable in United States Dollars, Hong Kong Dollars and Sterling. Ordinary Shareholders on the International branch register will receive United States Dollars while ordinary Shareholders on the Hong Kong branch register will receive Hong Kong Dollars, unless they elect for one of the alternative currencies by notifying the Company's registrars or transfer agents by 20th May 1994. Ordinary Shareholders whose shares are held through the Central Depository System in Singapore ("CDP") will receive Hong Kong Dollars, unless they elect through CDP to receive United States Dollars.

NEW ISSUE

This announcement appears as a matter of record only.

March 1994



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1 1/8 per cent. Notes 1998

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Dresdner Bank Aktiengesellschaft

Robert Fleming & Co. Limited

Fuji International Finance PLC

Goldman Sachs International

IBJ International plc

Kleinwort Benson Limited

Merrill Lynch International Limited

Mitsubishi Finance International plc

Mitsubishi Trust International Limited

J.P. Morgan Securities Ltd.

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Paribas Capital Markets

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Société Générale

Sumitomo Trust International plc

Swiss Bank Corporation

Taiheiyō Europe Limited

S.G. Warburg Securities

Yasuda Trust Europe Limited

INTERNATIONAL COMPANIES AND FINANCE

R H Macy
in bid to
exit from
Chapter 11

By Frank McGurty in New York

R.H. Macy, the US department store group, has revealed details of a plan designed to lead it out of Chapter 11 bankruptcy protection by January.

The package, agreed by Macy's board a day earlier and submitted for review by Mr Cyrus Vance, the court-appointed mediator, is a compromise between secured and unsecured creditors, who clashed over the terms of the proposal.

However, the future of the New York-based retailer remains uncertain. Federated Department Stores, a long-time rival of Macy's and one of its biggest secured creditors, has proposed a merger between the two groups.

Fidelity Investments, which holds \$450m in Macy's debt, suggested that it was dissatisfied with the proposed reorganisation plan, which may lead it to abandon its support for Macy's independence.

Under the proposals, Macy's creditors would initially receive a total return of \$3.6bn on their claims, including \$2.1bn in cash and debt, and \$1.5bn in equity in the reorganised company.

However, the plan also calls for an additional \$500m to be distributed in July 1997 if the value of Macy's stock appreciates to at least \$2.2bn, or by about 47 per cent, before that date.

The two-stage valuation was a concession by Macy chairman, Mr Myron Ullman, to a dissenting faction on its 11-member board. Mr Ullman, supported by two of Macy's highest secured creditors, Fidelity Investments and GE Capital, had originally proposed a \$3.5bn value on the company.

A second board group, led by Mr Laurence Tisch, chairman of Loews and CBS and one of Macy's biggest bond holders, had backed a plan which suggested a valuation of at least \$3.8bn.

The higher valuation would provide a greater return on the claims of unsecured creditors, including public bondholders and trade suppliers.

Digital pins its recovery hopes on PCs

Success in personal computers is critical to the US group, reports Alan Cane

Hopes of recovery at Digital Equipment, the troubled US computer maker, were boosted recently by indications that the company is reversing its previously disastrous performance in the key personal computer (PC) sector.

Mr Enrico Pesatori, general manager of Digital Equipment's PC business unit, said that if the improvement were maintained, Digital could become one of the world's leading PC suppliers within two years.

It sold some 500,000 units in 1993, up from 200,000 the year before, with revenues of \$1bn. At that level, he said, the unit was not profitable. "We lost quite a bit of money."

For 1994, however, he expects to sell more than 1m units, generating revenues of \$2bn, and trading profitably.

To become one of the world's top seven PC vendors, however, it will have to sell between 2.5m and 3m PCs a

year, worth \$4bn to \$5bn.

Success in PCs is critical to Digital, struggling back from two years of losses. It failed to appreciate the importance of the PC revolution in the 1980s, and lost ground to competitors. The PC is a key factor in networked or client-server computing, where Digital is betting its future; Compaq, for example, recorded PC revenues of \$7.2bn last year.

Mr Pesatori sees no hope of overtaking the industry leaders - IBM, Compaq and Apple - but plans to be among the best of the second-tier companies, such as Hewlett Packard, Dell and Packard Bell of the US, and NEC and Toshiba of Japan.

Mr Pesatori was brought in to head Digital's worldwide PC operations a year ago. An industry veteran, he had 21 years with Olivetti of Italy before moving to Groupe Bull of France to revitalise its ailing Zenith PC arm.

At Digital his strategy has



Enrico Pesatori: expects to sell more than 1m units this year

three objectives. First, to build from scratch a PC organisation. In this he was helped to some extent by Digital's lack of interest in PCs. He started with 40 people and now has 800 worldwide; new links with distributors and value-added resellers had to be forged, and

new managers hired.

Mr Pesatori scoured the industry for talent, employing "slightly over-qualified people". Mr Bernard Auer, formerly with Compaq, was hired to run the European territory. Other top names included Harry Copperman from JWP Businessland, Carl Gustin from Apple, Winnie Briney from IBM and Ray Wedock from Epson.

Second, the product line had to be rationalised. Digital had been selling Olivetti PCs in Europe and Intel machines in the US; now, it is selling its own range of computers and network servers. Only about 20 per cent of machines sold in 1993 were not of Digital's design and manufacture.

It intends to move into the SoHo (small office/home office) market. "How and when we enter this market is something we are discussing now," Mr Pesatori says.

The link with Olivetti will not be abandoned, but con-

verted to a design partnership whereby the two companies will develop computers with Digital's "look and feel".

The third part of the strategy is to build a company with the cost structure of a PC maker rather than a mainframe manufacturer. Digital as a whole spends more than 25 per cent of revenues on overhead costs, compared with a typical PC company's spend of only 13 per cent. Compaq, for example, spends 12 per cent of revenues on overheads.

Bringing down overheads involves pushing up product volumes (theoretically, if volumes double, overhead costs fall by four points).

One test of Digital's PC ambitions is the proportion of personal computers it can sell to customers who do not already use Digital equipment. In 1993, 20 per cent of its total PC sales went to new customers, but Mr Pesatori is confident the proportion will show a significant rise this year.

Westpac, AMP reshape link

By Nikid Tait in Sydney

Westpac, the large Australian banking group, and Australian Mutual Provident, which owns the Pearl and London Life groups in the UK, yesterday announced significant changes to their troubled 1981 "strategic alliance". These will in effect return certain distribution and fund management activities to the respective partners.

Under the new arrangements, the bank will take full control of Westpac Financial Consultants, formed as a joint venture between the two and

which distributed retail life insurance and superannuation products designed by AMP through the Westpac network.

WFCL's sales force, which was largely drawn from Westpac ranks, will be "fully integrated" back into the Westpac network. The partners claimed this would "streamline operations and improve teamwork". The bank stressed it would continue to sell AMPAC products, and receive a distribution fee from AMPAC Life.

AMP will also resume management of the AMP Approved Deposit Fund. Under the original agreement, Westpac pur-

chased Approved Deposit Fund business, but then provided products to be sold under the AMP name by AMP agents.

The new agreement removes the requirement that AMP hold 13.15 per cent of Westpac - although the insurance group said it had no "present intention" of reducing its stake. This stood at 13.98 per cent at end-November.

Mr Philip Twyman, AMP's chief operating officer, said the new arrangement meant that "AMP will wholly focus on the product and Westpac will wholly focus on the distribution channel".

J P Morgan head paid \$6.6m in 1993

By Richard Waters in New York

Mr Dennis Weatherstone, chairman of J.P. Morgan, the US bank, was paid \$6.6m last year, a rise of 45 per cent on 1992 and an echo of other big pay rises in the US financial sector announced recently.

Morgan said, Mr Weather-

stone's remuneration, in the form of \$3.1m cash and \$3.5m of restricted shares, reflected the bank's "very strong earnings" during 1993. The New York-based institution, one of the most profitable commercial banks in the US, made after-tax earnings of \$1.7bn, up from \$1.13bn the year before.

The British-born Mr Weatherstone, who has headed the bank since 1990, was paid a base salary of \$700,000, with the rest of his income linked to performance.

Among other high-paid bank chairmen, Mr John Reed of Citicorp received \$6.2m, while Mr Dan Tully, chairman of Merrill Lynch, received \$5.6m, a rise of 30 per cent.

Veba slips 9% but increases dividend

By Michael Lindemann in Düsseldorf

Veba, the German energy conglomerate, saw profits slip by 9 per cent in 1993, but the dividend will nonetheless rise DM1 to DM13. Mr Ulrich Hartmann, chief executive, said yesterday.

Net profits fell to DM225m (\$498m) from DM306m, while group turnover was marginally higher, up 1.4 per cent at DM65.3bn.

Preussenelektra, Veba's electricity arm and strongest performer, increased profits by 6 per cent to DM333m.

Mr Hartmann noted that Veba had spent DM500m buying stakes in six east German regional electricity suppliers, and looked forward to completing negotiations for a 26.25 per cent stake in VEBAG, the east German electricity network.

However, turnover in the transport and trading division fell 2 per cent, slightly worse than at Huls, the group's

chemicals company, where sales dipped 1.1 per cent to DM10.1bn.

A further 3,000 jobs will be shed in the chemicals sector, but Veba said it does not expect to see any profit until 1995.

A new company, Veba Telecom, will bring together the group's interests in corporate networks and the mobile phone and cable sectors, and continued investments in telecommunications would see the Düsseldorf-based group expand into a fifth division alongside its electricity, oil, chemicals and trading arms, Mr Hartmann said.

However, Mr Hartmann was non-committal on the timetable for Veba's listing on the New York Stock Exchange. The group is widely tipped to become the second German company to seek a listing, following Daimler-Benz last October. Feasibility studies on the listing have yet to be completed.

OIL & NATURAL GAS CORPN. LTD.
Notice for Invitation of Tenders under International Competitive Bidding

ONGC invites sealed tenders in the prescribed tender form for supply of the following items and Tender Number:

Tender No.	HAT/MP/E-IUS(G-1519)/94-95
Description of items	COMPUTERISED OPEN HOLE DIGITAL LOGGING UNITS ALONG WITH DOWN HOLE TOOLS - 5 Nos
Tender fees in US\$	US\$ 1000/- or Rs 30,000/-
Closing/opening date of tender	14.00 Hrs/15.00 Hrs on 31.05.94
Availability of tender documents for sale and inspection from	14.30 Hrs to 16.00 Hrs on 02.04.94
Place of inviting submission and Tender can also be had from	Office of Addl. Director (MM) - EGC, Shed No. 2, ONGC, Bombay
	Tel Bhavan, Oshra Dun.

1. Tender can also be had from Bombay, Calcutta, Madras, Delhi offices.
2. Non-transferable tender documents, in addition to place mentioned in Column e above can also be purchased on any working day on payment of requisite fee through Crossed/PO/Post Office Draft drawn in favour of ONGC from the following places. The Bank Draft from the foreign parties should be payable in India:
 - a. Addl. Director (MM), ONGC, 50 Chowringhee Road, Calcutta - 700 001.
 - b. Officer-in-Charge, T & S Office, ONGC, Asia Publishing House, Calcutta Street, Ballard Estate, Bombay - 400 038.
 - c. Dy. Director (MM), ONGC, 7th Floor, MMMA Building, 6 Gandhi Irwin Road, Egmore, Madras - 600 008.
 - d. Dy. Director (MM), ONGC, 7th floor, Jeevan Bharti Building, Connaught Circus, New Delhi 110 001.
3. The Agents/Representatives of the foreign principals in India are permitted to purchase tender documents on behalf of their principals on payment of tender fee in Indian currency at the conversion rate stated in para 4 below, which will be refunded if the offer from their principal is received along with prescribed tender fee in US\$. However, bid made by Agent/Representative will not be considered.

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PREQUALIFICATION

Sections: The Northern Link and The Southern Link.

The Swedish National Road Administration, Stockholm Region, hereby invites interested companies to prequalify to tender for one or more contracts, covering the design and construction as well as general contracting work on the Northern and Southern Links of the Stockholm Ring Road.

The award procedure chosen is the restricted procedure and the work will be executed under the following major contracts:

Norra Länken ("The Northern Link") is the name of the northern part of the Stockholm Ring Road. The contracts Nos. NL 01-NL 05 are the main civil works contracts for the Northern Link system.

Norra Länken includes an approximately 4 km long, six-lane motorway and 4 intersections. Most parts of the Link, including 3 intersections, will be located underground. Service installations will also be underground.

The first five (5) contracts are:

- Contract No. NL 01 "Norrtull" rock and concrete tunnel system with some soil tunnel (mainly concrete tunnels)
- Contract No. NL 02 "Roslagstull" rock and concrete tunnel system (mainly rock tunnels)
- Contract No. NL 03 "Bellevue" rock and concrete tunnel system with deep excavation
- Contract No. NL 04 "TPL Värtan" road system with an intersection
- Contract No. NL 05 "Lill-Jansskogen" rock and concrete tunnel system (mainly rock tunnels)

The total investment cost for all the Northern Link contracts is estimated at SEK 2 880 million, (1992 price level).

Södra Länken ("The Southern Link") includes an approximately 4.7 km long, six-lane motorway and five intersections. Most parts of the Link, including four intersections, will be located underground in rock and concrete tunnels. Service installations will also be underground.

The first six (6) contracts are:

- Contract No. SL 01 "Årsta" rock tunnel system
- Contract No. SL 02 "Johanneshov" rock tunnel system
- Contract No. SL 03 "Skärmarbrink" rock tunnel system
- Contract No. SL 04 "Hammarby" rock tunnel system
- Contract No. SL 10 "TPL Äbyvägen" concrete tunnel system
- Contract No. SL 20 "TPL Äbyvägen" intersection

The total investment cost for all Southern Link contracts is estimated at SEK 4 475 million, (1992 price level).

The candidates are free to apply for a single contract, several or all contracts.

The work mentioned above for Norra Länken is expected to commence in November 1994 and for Södra Länken January 1995.

The entire Norra Länken shall be completed in the autumn 1997 and Södra Länken by mid-1999.

Any company or group of companies wishing to prequalify as a selected tenderer for one or more of the above contracts shall notify the Swedish National Road Administration, Stockholm Region (Vägarverket, Region Stockholm) to that effect and apply for the prequalification documents at the address given below as soon as possible.

Upon receipt of such a notice of interest, the Swedish National Road Administration will dispatch the prequalification document(s) to the address and liaison person stated in the notice.

The applying company shall complete, sign and return the prequalification documents to the contracting authority given the address stated below.

The closing date for receipt of completed prequalification document(s) is April 17, 1994.

Invitations to tender for the first contracts are expected to be issued in June 1994.

All documentation and correspondence shall be in Swedish or English.

Notice of interest should be addressed to: Vägarverket, Region Stockholm, Box 4202, S-171 04 SOLNA, Sweden, as soon as possible, marked "BY 20 24751". Telefax No: +46 8 627 0923.



Swedish National
Road Administration



INTERNATIONAL COMPANIES AND FINANCE

Cheung Kong profits surge 56%

By Louise Lucas in Hong Kong

Cheung Kong, the flagship of Mr Li Ka-shing's listed Hong Kong empire, yesterday surprised the market with a 56 per cent growth in net profits last year. Earnings came in at HK\$9.5bn (US\$1.5bn), compared with HK\$6.1bn in 1992.

Cheung Kong derives some 85 per cent of net profits from property development - broadly Laguna City, South Horizons and Kingswood Villas - and its 43 per cent stake in Hutchison. Analysts say its performance was lifted by investments and share dealing, such as the sale of 100m Hopewell shares.

The pre-tax contribution from associated companies last year stood at HK\$7.6bn, compared with HK\$4.3bn the previous year. Turnover was flat at HK\$10.7bn, compared with \$10.5bn.

The cement operation, Green Island Cement, showed an increase over 1992, but conversely competition in the concrete and quarrying products market hit Anderson Asia.

Earnings per share rose 56 per cent to HK\$4.45, up from HK\$2.85 in 1992.

Mr Li, chairman, said the group had been actively expanding its land bank, and had already signed deals to purchase or jointly develop several projects with large

land areas. "This will build a good foundation for the group's business developments after 1997," he said.

Further contracts have been secured with mainland companies in infrastructure, power, property and hotel businesses, and funds have already been directed into these projects. These mainland investments would likewise provide a stable source of income for the group in the future, Mr Li said.

The directors are proposing a final dividend of 76 cents a share, giving a total payout of HK\$1 a share for the full year, an increase of 25 per cent over the 80 cents paid in 1992.

OOIL steams ahead to bolster balance sheet

Simon Holberton examines the shipping group's turnaround as a full set of results is announced

The shipping crisis of the mid-1990s claimed two of the industry's biggest names in Asia: Sanko of Japan, and Orient Overseas Holdings of Hong Kong.

In Japan, Sanko was placed in receivership and was eventually dismantled. The collapse of the company ruined Mr Toshio Komoto, its founder and senior Liberal Democratic Party politician.

Today, the other casualty of the shipping crisis, now known as Orient Overseas International Limited (OOIL), reports its first set of full results since a series of corporate reorganisations which were occasioned by its near insolvency in 1985.

OOIL is expected to report much improved profitability on the US\$8m it made in 1992. But the aspect of the company's operations which executives are keen to highlight is the strength of OOIL's balance sheet - at the end of 1993 it had US\$480m in cash and investments - and the coherence of its business strategy for container shipping.

OOIL was a classic example of John Maynard Keynes's dictum that if you owe a bank \$10,000 you have a problem, but if you owe it \$1m then it has the problem. At the time of crisis in 1985 OOIL's predecessor and the Tung family, its controlling shareholders, owed the banks nearly US\$2.5bn.

To save the company Mr C.H. Tung, son of the family fortune and OOIL's chairman, called in debts and wrote some IOUs. Hongkong and Shanghai Bank advanced the company HK\$1bn in credit; the Chinese government advanced it US\$100m, an enormous sum for a developing country and an indication of just how valuable an asset Beijing perceived the Tung family to be.

The price of reorganisation was high. The Tung family - much as Hong Kong entrepreneurs still do - had run their private interests and public obligations in tandem. In 1985 the interlocking structure that bankers encountered was extremely complicated. Only recently has the company reorganised itself in such a way that bankers and investors understand who owned what.

Today the overlap between OOIL and the Tung family - which owns more than 50 per cent of the company - is limited to sharing the same offices in Wan Chai and the use of a



C.H. Tung, the chairman called in debts and wrote some IOUs

of the most liquid," he says. For a company which was nearly undone because of the state of its finances, this is clearly an achievement. Mr Tung says OOIL has a policy of maintaining at least US\$200m in liquid assets.

But the health of the company's finances is just one aspect of the pitch OOIL wants to make to investors. It believes it has a good management story to tell as well.

At the beginning of the 1990s OOIL embraced the concept of total quality management and, according to Mr Tung, it has enabled OOIL to climb into the first division of container operators in the world.

"We are very quality conscious," says Mr Tung. "In our business if you make a mistake in documentation it reverberates around the world. So if you do things right the first time, you save a lot of money."

He speaks in the language of the modern manager. He talks of "critical success factors" in business, of being "customer focused", and of doing things "right the first time".

His embrace of western man-

agement technique has been well received among knowledgeable managers in Hong Kong.

According to one senior Hong Kong businessman who knows the company well: "C.H. runs OOIL in a modern democratic western style."

Says Mr Tung: "I try to emphasise the importance of team play. All sorts of nationalities work for us and work very well together. We consider ourselves a Hong Kong-based multinational."

People are one of the "critical success factors" Mr Tung likes to talk about. Another is "quality" in the delivery of the services OOIL provides. This has become particularly important as the company has sought to lift its game in the international cargo transportation business.

This has involved providing what Mr Stanley Shen, general manager of quality assurance, calls "third-party logistics support" to customers, such as support for just-in-time inventory control, better information and distribution.

In this context the company is particularly pleased with its American President Lines (APL) alliance. It has joined with APL to provide "shuttle" services across the Pacific. This has enabled the two to pool resources and target higher value cargoes.

To bolster its position in container cargo transport, OOIL earlier this month said it had placed a US\$500m order for six container vessels, each with the capacity to carry 4,950 20ft containers.

The ships - to be delivered from the second half of next year until the first quarter of 1996 - will be funded 20 per cent from internal resources and 80 per cent by borrowings.

The new ships will replace older vessels in OOIL's 25-ship fleet, a fleet which currently has an average age of 13 years. Mr Tung believes his company is on the verge of a new beginning. "It seems to be a business permanently incapable of doing well," he says.

"But there are some shippers which make a 15 per cent return on shareholders' funds even in difficult years. It all comes down to how you organise yourself to do it. I think we can."

Jardine Strategic to delist in Hong Kong at year-end

By Simon Holberton in Hong Kong

Jardine Strategic, the holding company for many of the Jardine group assets in Hong Kong, yesterday followed Jardine Matheson and said it would cease the trading of its shares at the end of this year.

Jardine Strategic, which is 52 per cent owned by Jardine Matheson, holds controlling interests in Dairy Farm, Hong Kong Land and Mandarin Oriental.

Mr Henry Keswick, chairman, said that with "change impending in Hong Kong", the company attached great importance to remaining subject "to a British-based system of securities regulation". It has achieved this by having the Bermuda government enact laws to bring the company and its subsidiaries under a statutory version of the London take-over code. Jardine does not believe that a level regulatory playing field will prevail in Hong Kong after China resumes sovereignty in 1997.

In spite of plans to cease share trading of the group's constituents, the Securities and Futures Commission (SFC) still claims jurisdiction over the company.

The Hong Kong takeovers code is broadly drafted and covers public companies, whether listed or not, which have a large proportion of its shareholders, assets, operations and management in Hong Kong.

Jardine has many shareholders in Hong Kong and it is one of the largest non-government employers in the colony. Moreover it derives more than half of its profits from Hong Kong and is operationally controlled from the colony.

The SFC's ultimate sanction in Hong Kong is to "cold shoulder" an individual or company. This means that no financial company would be allowed to act for the company. In addition, the full facilities of Hong Kong's market would be withdrawn.

The Jardine group was the object of furious criticism in Hong Kong yesterday for its decision on Wednesday to delist. The "Princely Hong" was described in the pro-British media as having delivered an "irresponsible" blow to Hong Kong's status as a financial centre.

Many newspapers said that the company had received its come-uppance because the SFC had refused to give it special treatment. As one English-language newspaper noted: "The bottom line is that Jardine needs Hong Kong more than Hong Kong needs Jardine."

Jardine Matheson's share price fell by HK\$1 to HK\$48.25 on the Hong Kong exchange by HK\$0.40 to HK\$1.40. Overall, the Hang Seng index declined by 1.5 per cent to 9,320.

Court clears Pancontinental claim

By Nikki Tait in Sydney

Pancontinental Mining, the thwarted suitor for Australia's Aztec Mining, has been given leave to go ahead with a legal action against Poseidon Gold, which outbid Pancon and seized control of Aztec via a AS\$27m (US\$20m) cash offer earlier this month.

A Sydney court has ruled that some elements of the Pan-

con claim have no foundation and should be struck out, but that other sections are legitimate.

The mining group has alleged conspiracy to injure and a breach of the corporations law. It is seeking punitive damages for Poseidon and other parties, as a result of the way in which Poseidon gained control of Aztec. This was achieved when the bidder

upped its cash terms and, the following day, quickly snapped up more than half its target's shares. Alumax, the US company which held a critical 37 per cent interest in Aztec and is also named in the action, led the selling wave.

The mine, which contributed a loss of A\$700,000 to Alumax's results in the first half of 1993-94, has been earmarked for closure for some time.

FT-Actuaries World Indices

Changes to constituent stocks

The FT-Actuaries World Indices Policy Committee has agreed quarterly changes to the constituent stocks of the indices, to take effect on April 1 1994.

1. A full review of the Italian market resulted in the following changes: Additions: Alleanza (savings shares); Editoriale L'Espresso; Marzotto; Tecnocredito.

Deletions: Banca Nazionale del Lavoro (ord. & pref.); Banca Toscana; Confindustria; Colde; Danelli (ord. & sav.); Ferruzzi Finanz. (ord. & sav.); Italmobiliare; Milano di Assicurazioni (sav.); Pirelli & C. Saffa.

2. A full review of the Malaysian market resulted in the following changes:

Additions: Advanced Synergy; AHBH Edge; Aokan Perdana; Berjaya Sports Toto; Commerce Asset Hds; Datuk Keramat; Dunlop Estates; Diversified Resources; Ekran; Golden Plus Hds; Gopeng; Idris Hydraulic; IJM Corp; Kamunting Corp; Kelah Cement Hds; Kemayan Oil Palm; Kim Hui Industry; Lien Hoe Corp; Lingui Dev; Malaysian Helicopter Services;

Malaysian Oxygen; Malaysian Resources Corp; Malaysian Pacific Inds; MBF Capital; Multi International; Pan Malaysian Inds; Pacific Chemical; Pegasus; Sinar Mas; Sinar Mas (Perfima); Pilecon Engineering; Proton; Selangor Coconut; Te Enterprize; Time Engineering.

Deletions: Antah Hds; Malaysian Tobacco; Nylux (Malaysia); UMW Hds. Sector changes: Bandar Raya Devs, from Homebuilding to Real Estate; Land & General from Forestry Products to Real Estate; Malaysian Utd. Inds. from Diversified Industrials to Financial Institutions; Perlis Plantations from Agriculture & Fishing to Food Processors; Petaling Garden from Diversified Holding Companies to Agriculture & Fishing and Renong from Diversified Holding Companies to Construction.

Changes to investible weightings: Rothmans of Pall Mall at 100 per cent (23.8); Telekom Malaysia at 25 per cent (23.9); Tenaga Nasional at 25 per cent (22.5).

3. A full review of the UK market resulted in the following changes:

Additions: Caradon; Eastern Electricity; Foreign & Colonial Investment Trust; Lloyds Abbey Life; Schroders (non vix.); Scottish Hydro Electric; Southern Electric; Standard Chartered.

Deletions: AMEC; Automated Security Hds.; Bardon; Brammar; Bullough; Daajan Hds.; First National Finance; FR Group; Gerrard & National Hds.; Henderson Administration Group; Instock Johnson; LASMO; Ocean Group; Simon Engineering; Spring Ram; Temple Bar Investment Trust; Throgmorton Trust; Unitech.

Sector changes: BATS Inds. from Diversified Holding Companies to Tobacco Manufacturers; De la Rue from Publishing to Printing; Inchcape from Diversified Holding Companies to Wholesale-Durables; Rank Organisation from Diversified Industrials to Entertainment & Leisure Time; Reuters Hds. from Broadcasting Media to Publishing and Smiths Inds. from Machinery-Industrial & Specialty to Aircraft Manufacturers.

4. A partial review of the Singapore market resulted in the fol-

lowing changes: Addition: Marco Polo Developments. Deletions: Rwa Hong; Intraco.

The FT-AWI Policy Committee has reviewed its policy on announcing changes to the rules and working practices of the World Index, with a view to ensuring that all users and readers of the FT should have equal access to information. In future, decisions regarding addition of new eligible constituents which are tantamount to existing index constituents, or investible weighting changes to existing constituents, will be announced in the FT at least four working days before they are implemented in the indices which are published in the daily table.

6. Preliminary lists of changes to the FT-AWI Large Cap and FT-AWI Medium-Small Cap indices will be available from NatWest Securities Ltd and Goldman Sachs & Co. on Monday March 28. Confirmed changes will be available from NatWest Securities Ltd and Goldman, Sachs & Co. on April 4.

NEW ISSUE

This announcement appears as a matter of record only.

24th March, 1994



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THE SCOTTISH LIFE ASSURANCE COMPANY

Notice is hereby given that the 112th Annual General Meeting of the Company will be held within the Head Office, 25 St Andrew Square, Edinburgh on Tuesday 19th April 1994 at 10.30am. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. The proxy need not be a member of the Company. There are no contracts of service between the Company and any Director.

D.C. Dixon
Chief Accountant & Secretary
A copy of the Annual Report and Accounts will be sent to any policyholder on request or may be obtained from any office of the company.
Scottish Life

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON SHINPAN & CO., LTD

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record on March 31, 1994. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchange with effect from March 28, 1994. Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depository, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment. Coupon No. 34 will be used for collection of the dividend.

OTIBANK N.A., London,
March 23, 1994 Depository

This announcement is neither an offer to sell nor a solicitation to buy these Notes. This announcement appears as a matter of record only.

\$500,000,000

PTA Bank Funding Corporation

U.S. Commercial Paper Program
Fully Supported by a Cash Collateral Account

Banque de la ZEP
Banque de l'Afrique de l'Est et de l'Afrique Australe
pour le Commerce et le Développement



PTA Bank
Eastern and Southern African Trade
and Development Bank

Financial Advisor to The Eastern and Southern African Trade and Development Bank

Aidoo Group Capital Markets, Inc.

Dealers

Goldman Sachs Money Markets, L.P.

Merrill Lynch Money Markets Inc.

December 23, 1993

This announcement appears as a matter of record only.

U.S. \$13,500,000

NATIONAL MERCHANT BANK OF ZIMBABWE

to finance grain exports by

GRAIN MARKETING BOARD OF ZIMBABWE

under the

PTA BANK FUNDING CORPORATION
COMMERCIAL PAPER PROGRAM

Banque de la ZEP
Banque de l'Afrique de l'Est et de l'Afrique Australe
pour le Commerce et le Développement



PTA Bank
Eastern and Southern African Trade
and Development Bank

Arranger and Servicer

PTA BANK

Eastern and Southern African Trade and Development Bank

Issuing and Paying Agent

BANKERS TRUST COMPANY, New York

February 18, 1994

مكتبة من الاصل

INTERNATIONAL CAPITAL MARKETS

US Treasuries fall sharply on Colosio assassination

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds fell sharply yesterday as a jittery market reacted to news of the assassination of the leading Mexican presidential candidate.

By midday, the benchmark 30-year government bond was down 1/8 at 91 1/2, with the yield rising to 6.957 per cent.

At the short end, the two-year note was 1/8 lower at 100 1/8, to yield 5.092 per cent.

GOVERNMENT BONDS

The sharp downturn came in the wake of the turmoil which hit the Brady bond market following the shooting of Mr Luis Donaldo Colosio Murrieta at a campaign stop in Tijuana the previous evening. Dealers, already carrying heavy inventories of emerging market debt, were selling Treasury bonds as

a hedge against further declines in Brady bonds.

It also became apparent that nervousness over the upward direction of interest rates had not subsided with the Federal Reserve's lifting of the Fed Funds target two days earlier.

The market was already speculating over the timing of the central bank's next move, which depressed sentiment.

Early on, prices showed only minor weakness, but as the morning progressed, the losses mounted. Surging gold prices, the decision by some US commercial banks to increase their prime lending rate and a lack of follow-through buying after Wednesday's \$11bn five-year note auction were among the contributing factors.

Amid the whirlwind of developments competing for the market's attention, the day's economic news passed with little notice. The Labor Department said that claims for unemployment benefit last week dipped by 5,000, against expectations of a 2,000 decline.

less than \$50m. There was no comment from the Bank.

Some analysts said the gilts market appeared to have lost touch with its fundamentals but they feared that the market still had further to fall.

"The market has been spooked... but the fall is not justified by the UK's inflation prospects," said Mr Ruth Lea, chief UK economist at Lehman Brothers.

Mr George Magnus, chief international economist at S.G. Warburg, agreed that Wednesday's inflation data did not warrant such a severe drop in prices. But he said there had been some significant selling of short-dated maturities which indicated that hopes of further rate cuts were fading fast.

"If the economic recovery is as solid as it appears to be... we are going to experience upward pressures on inflation in 1995," he said. He also noted that the December 1995 short sterling contract

reflected market expectations of a base rate of 7 per cent by the end of 1995.

Mr Iffy Islam, fixed-income strategist at Merrill Lynch, said the fall in the June contract below 108 1/2, the low for the year, unleashed a rush of stop-loss selling in the futures market. This in turn dragged down the cash market where the yields on short-dated paper rose by 17 basis points and by as much as 24 basis points on 10-year gilts.

By the late afternoon, the June contract traded at 108 1/2, down 2 1/2 points, in active volume of 134,826 contracts.

German government bonds initially held firm, supported by better-than-expected M3 data for February. But by mid-afternoon, bonds succumbed to the uncertainty which was dragging down other markets.

The June contract of bund future on Life stood 0.77 point lower at 95.47 in the late afternoon, below the day's high of 95.55.

Nevertheless, analysts said the M3 results, combined with the strength of the D-Mark, held out some promise for bonds since those factors should enable the Bundesbank to continue to ease monetary policy. The Bundesbank said February M3 rose 17.8 per cent, which was broadly in line with market expectations and well below Wednesday's rumours of 30 per cent.

Yesterday's 10 basis point cut in the Bank of France's intervention rate to 6 per cent was in line with market expectations and failed to protect French government bonds completely from the weakness in other markets. But they fell less than their European counterparts, with the June contract of the 10-year notional French government bond on the Maffi giving up 0.42 point to 122.60 in the late afternoon.

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Latin American issues tumble

By Conner Middelmann

Mexican bonds slumped following the assassination of Luis Donaldo Colosio, the country's leading presidential candidate. In early trade they fell by more than five points, though they later bounced off their lows in thin volume.

Other Latin American debt markets suffered in sympathy. Mexico is considered a benchmark in the LDC market, and weakness there often spills over into neighbouring markets.

In general, the more liquid and volatile Brady bonds fell more sharply than Eurobonds, said Mr Denis Loubignac, a trader at Paribas Capital Markets in London.

Mexico's benchmark Brady bond, the 30-year par bond, fell by more than 5 points in hectic New York trading, hitting a

low of 66 1/2, before bouncing back to close at 69 1/2, down from 73 on Wednesday. The Mexican benchmark Eurobond, a 10-year dollar-denominated bond for Bancamex, fell from 90 to 86 1/2, but rose from its intra-day low of 84, he said.

Argentina's benchmark par bond fell one point to 57 1/2, while its global Eurobond due 2003 fell by about a point to 90 1/2. Venezuela's par bond slipped by two points to 53 1/2.

Market participants now hope the ruling Institutional Revolutionary Party will quickly name a new presidential candidate to reduce political uncertainty and calm the markets.

Although the fundamentals of Latin American haven't changed dramatically, the events served as a reminder that "we are dealing with very volatile emerging markets; there are large risks and large returns," said Ms Ingrid Iversen, senior economist at Morgan Grenfell in London.

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EIB DM1bn offering starts firmly in nervous trading

By Conner Middelmann

investor-activity to remain thin ahead of the Easter break. "We're seeing zippo client flows of real consequence or depth in this environment," said a London syndicate manager.

The European Investment Bank issued DM1bn of 6.5 per cent 10-year bonds which started out on a strong footing, supported by early strength in the German government bond market.

"We launched it 10 minutes after the M3 money supply numbers - which were slightly better than expected - and placed a lot of paper quickly," said an official at lead manager Deutsche Bank.

However, when government bonds fell in the afternoon, the EIB bonds slipped in line with bunds.

Their spread over the benchmark 10-year Treasury bond, however, tightened by one basis point to 14 basis points, the lead manager said.

"This shows the deal is in good shape," said a dealer at another house.

Meanwhile, Germany's triple-A rated reconstruction agency, Kreditanstalt für Wiederaufbau, issued 1,200bn of 6 1/2 per cent five-year bonds via Deutsche Bank in London. Despite the Italian government bond market's turbulence, the lead manager reported a solid syndicate and investor response. The bonds closed at

around 99.90 bid, just outside fees.

At the initial offer price of 99.55, where they yield 6.64 per cent, the bonds pay a juicy yield pickup over comparable lira paper; Bayerische Landesbank's 7.5 per cent bonds due 1999 yield 8.42 per cent, while the EIB's 7.45 per cent bonds due 1999 yield 8.01 per cent, the Deutsche Bank official said.

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NEW INTERNATIONAL BOND ISSUES

Borrower	Amount (\$m)	Coupon %	Price	Maturity	Yield %	Spread bp	Book runner
US DOLLARS							
Comet Finance (Italy)	50	6 1/2	99.375	Mar 2004	unfixed	-	Banca Commerciale Italiana
D-MARKS							
European Investment Bank	120	6.50	101.85	Apr 2004	1.75	-	Deutsche Bank
YEN							
Parsons Finance (Netherlands)	100	6 1/2	100.00	Jul 1997	0.1875	-	EBI International
ITALIAN LIRE							
HW International Finance	200bn	6.375	100.00	Apr 1999	1.875	-	Deutsche Bank London
SCUS							
General Electric Capital Corp.	100	6.125	99.898	Apr 1999	0.25R	-	CGF/Merrill Lynch Int.

Final terms and non-cashable interest rates. The yield spread (lower) represents government bonds at launch is subject to the lead manager's discretion. Floating rate notes: 3-month LIBOR plus 0.25% or 0.50% or 0.75% or 1.00% or 1.25% or 1.50% or 1.75% or 2.00% or 2.25% or 2.50% or 2.75% or 3.00% or 3.25% or 3.50% or 3.75% or 4.00% or 4.25% or 4.50% or 4.75% or 5.00% or 5.25% or 5.50% or 5.75% or 6.00% or 6.25% or 6.50% or 6.75% or 7.00% or 7.25% or 7.50% or 7.75% or 8.00% or 8.25% or 8.50% or 8.75% or 9.00% or 9.25% or 9.50% or 9.75% or 10.00% or 10.25% or 10.50% or 10.75% or 11.00% or 11.25% or 11.50% or 11.75% or 12.00% or 12.25% or 12.50% or 12.75% or 13.00% or 13.25% or 13.50% or 13.75% or 14.00% or 14.25% or 14.50% or 14.75% or 15.00% or 15.25% or 15.50% or 15.75% or 16.00% or 16.25% or 16.50% or 16.75% or 17.00% or 17.25% or 17.50% or 17.75% or 18.00% or 18.25% or 18.50% or 18.75% or 19.00% or 19.25% or 19.50% or 19.75% or 20.00% or 20.25% or 20.50% or 20.75% or 21.00% or 21.25% or 21.50% or 21.75% or 22.00% or 22.25% or 22.50% or 22.75% or 23.00% or 23.25% or 23.50% or 23.75% or 24.00% or 24.25% or 24.50% or 24.75% or 25.00% or 25.25% or 25.50% or 25.75% or 26.00% or 26.25% or 26.50% or 26.75% or 27.00% or 27.25% or 27.50% or 27.75% or 28.00% or 28.25% or 28.50% or 28.75% or 29.00% or 29.25% or 29.50% or 29.75% or 30.00% or 30.25% or 30.50% or 30.75% or 31.00% or 31.25% or 31.50% or 31.75% or 32.00% or 32.25% or 32.50% or 32.75% or 33.00% or 33.25% or 33.50% or 33.75% or 34.00% or 34.25% or 34.50% or 34.75% or 35.00% or 35.25% or 35.50% or 35.75% or 36.00% or 36.25% or 36.50% or 36.75% or 37.00% or 37.25% or 37.50% or 37.75% or 38.00% or 38.25% or 38.50% or 38.75% or 39.00% or 39.25% or 39.50% or 39.75% or 40.00% or 40.25% or 40.50% or 40.75% or 41.00% or 41.25% or 41.50% or 41.75% or 42.00% or 42.25% or 42.50% or 42.75% or 43.00% or 43.25% or 43.50% or 43.75% or 44.00% or 44.25% or 44.50% or 44.75% or 45.00% or 45.25% or 45.50% or 45.75% or 46.00% or 46.25% or 46.50% or 46.75% or 47.00% or 47.25% or 47.50% or 47.75% or 48.00% or 48.25% or 48.50% or 48.75% or 49.00% or 49.25% or 49.50% or 49.75% or 50.00% or 50.25% or 50.50% or 50.75% or 51.00% or 51.25% or 51.50% or 51.75% or 52.00% or 52.25% or 52.50% or 52.75% or 53.00% or 53.25% or 53.50% or 53.75% or 54.00% or 54.25% or 54.50% or 54.75% or 55.00% or 55.25% or 55.50% or 55.75% or 56.00% or 56.25% or 56.50% or 56.75% or 57.00% or 57.25% or 57.50% or 57.75% or 58.00% or 58.25% or 58.50% or 58.75% or 59.00% or 59.25% or 59.50% or 59.75% or 60.00% or 60.25% or 60.50% or 60.75% or 61.00% or 61.25% or 61.50% or 61.75% or 62.00% or 62.25% or 62.50% or 62.75% or 63.00% or 63.25% or 63.50% or 63.75% or 64.00% or 64.25% or 64.50% or 64.75% or 65.00% or 65.25% or 65.50% or 65.75% or 66.00% or 66.25% or 66.50% or 66.75% or 67.00% or 67.25% or 67.50% or 67.75% or 68.00% or 68.25% or 68.50% or 68.75% or 69.00% or 69.25% or 69.50% or 69.75% or 70.00% or 70.25% or 70.50% or 70.75% or 71.00% or 71.25% or 71.50% or 71.75% or 72.00% or 72.25% or 72.50% or 72.75% or 73.00% or 73.25% or 73.50% or 73.75% or 74.00% or 74.25% or 74.50% or 74.75% or 75.00% or 75.25% or 75.50% or 75.75% or 76.00% or 76.25% or 76.50% or 76.75% or 77.00% or 77.25% or 77.50% or 77.75% or 78.00% or 78.25% or 78.50% or 78.75% or 79.00% or 79.25% or 79.50% or 79.75% or 80.00% or 80.25% or 80.50% or 80.75% or 81.00% or 81.25% or 81.50% or 81.75% or 82.00% or 82.25% or 82.50% or 82.75% or 83.00% or 83.25% or 83.50% or 83.75% or 84.00% or 84.25% or 84.50% or 84.75% or 85.00% or 85.25% or 85.50% or 85.75% or 86.00% or 86.25% or 86.50% or 86.75% or 87.00% or 87.25% or 87.50% or 87.75% or 88.00% or 88.25% or 88.50% or 88.75% or 89.00% or 89.25% or 89.50% or 89.75% or 90.00% or 90.25% or 90.50% or 90.75% or 91.00% or 91.25% or 91.50% or 91.75% or 92.00% or

£350m turnaround achieved by emphasis on sound underwriting

Sun Alliance returns to black

By Alison Smith

Sun Alliance, one of the UK's largest insurers, returned to profit in 1993, after three consecutive years of losses, with £221.7m pre-tax, against losses of £129.6m.

The group said the turnaround was achieved by an emphasis on sound underwriting and generating sufficient profits on the general insurance business to absorb continuing losses on its domestic mortgage indemnity business.

The year also saw a strengthening of the balance sheet, with shareholders' funds rising by £466m to £2.01bn and sol-

venity - net assets as a percentage of non-life premium income - returning to 64 per cent, compared with the 54 per cent of last year.

Earnings per share were 22.5p, against losses of 16.1p and the board is recommending a final dividend of 9.5p, for a total of 14.75p (14.25p). The shares closed the day 12p up at 398p.

Premium income from general insurance in Sun Alliance UK fell slightly to £996m (£1.01bn), but was accompanied by a return to underwriting profit of £3m against losses of £190m.

General insurance business in Sun Alliance International,

generated premium income of £259m, up from £238. Losses on underwriting were lower at £188m (£248m).

Though underwriting of the general business in Sun Alliance Overseas once again made a loss of £110m, premium income was up sharply, to £1.54bn (£1.3bn). The life side premium income rose to £394m (£250m).

This increase came partly from the acquisition of Hestia in Denmark during the year.

On the life side Sun Alliance suffered a drop in its premium income in the UK to £740m (£1.04bn) as a result of a fall in its single premium business, although its annual premium

income rose.

The group said that it had been prepared to sacrifice some market share rather than write business at a loss.

Mr Roger Taylor, who will be group chief executive from July, warned that the favourable recent period of mild weather would not last, and said that in many classes of insurance premium rates were too low for the risks being underwritten.

Sun Alliance is not making any special provision for potential compensation to be paid to any of its 18,000 clients who had transferred out of occupational pension schemes.

See Lex

Slough Estates advances 14%

By Vanessa Houlder, Property Correspondent

Slough Estates, the UK's largest industrial property company, yesterday announced a 14.2 per cent increase in pre-tax profits from £46.4m to £53m in 1993 and a rise in net assets of 14.2 per cent to £269m.

The group posted a valuation premium on its investment property portfolio of £115.6m or 7.8 per cent. A 13.1 per cent surplus on its UK properties was lost by a 6.8 per cent deficit overseas.

"For Slough, the immediate mood is cautious optimism," said Sir Nigel Mobbs, chairman. "The outlook for 1994 is much improved as a result of stronger business confidence and the prospect of sustainable economic recovery."

Rental values were likely to start their recovery later in the year for good properties in prime locations, he added.

The company said it was treating its development programme, particularly on the high trading estates, its current construction programme, and its 130,000 sq ft in the



Sir Nigel Mobbs: the immediate mood is cautious optimism

Slough said it would place emphasis on development of its existing portfolio rather than acquisitions. Sir Nigel criticised the "extravagant" prices currently being asked by vendors.

Provisions against the carrying value of trading stock fell from £18.8m to £7.3m.

Operating profit of utilities fell to £2.8m (£4.1m), as a result of continuing commis-

sioning problems.

Last March's rights issue raised £147m, which pushed year-end gearing down to 56 per cent (53 per cent). Cash balances stood at £26m.

Earnings per share was 7p, compared with a restated figure of 7.9p for 1992. An final dividend of 5p per share was recommended, which together with the 8.1p interim, represents an unchanged 8.1p on

increased share capital.

COMMENT

The value placed on Slough Estates' assets was above most analysts' expectations, giving a small lift to the share price, which rose 2p to 255p. But enthusiasm was tempered by the lacklustre rise in earnings, which left its dividend barely covered. Analysts were also critical of the further provisions against trading stock, the high level of interest capitalised and the continued weakness of Slough's utilities business.

Not has the management been forgiven for past errors of strategy and timing. Nonetheless, a strong performance from the company's core portfolio encourages confidence in the quality of its assets and the decision to invest money in developing its own portfolio makes clear sense. Estimates for this year's pre-tax profits range around £65m; the continuing mediocre prospects for future revenue growth and the weak dividend cover are likely to restrict the scope for any dividend increase.

But, the shares look reasonably valued on the assumption that the net asset value increases to £3 per share this year, putting them on a discount to net assets of 15 per cent.

Earnings per share was 7p, compared with a restated figure of 7.9p for 1992. An final dividend of 5p per share was recommended, which together with the 8.1p interim, represents an unchanged 8.1p on

ra £0.83m loss and weeks £5.2m

Group, the specialist selling and distribution up, yesterday announced a 52m cash call and a scrip issue in lieu of preference dividends, after reporting a 51m pre-tax loss of £8,000 for 1993.

Dr Anthony Fay, chairman, said the loss - which was a £280,000 provision for organisation and closure costs - on a continuing

erosion of gross margins and increases in occupancy costs.

The 1-for-1 rights issue of 12m new ordinary shares is 5p per share. Convertible preference holders can participate on the same terms as ordinary holders, on the basis of a new ordinary for every

preference share.

In addition, the entitlements convertible preference holders to accrued and certain

preference dividends, amounting to £1.05m, will be cancelled and replaced by the issue of 6.7m scrip shares at a value at the rights price of 874.47p.

Turnover in 1993 was marginally higher at £74.3m (£73.3m). The group - whose

operations include Beat's, Tecno and Fox Talbot - did not open any new shops in 93.

Losses per share increased

from 0.46 to 1.31p and again no dividend is being paid for the period.

Ayrshire Metal surges to £1.35m

Shares in Ayrshire Metal Products jumped 17p to 45.55p yesterday after the producer of cold rolled steel profiles maintained its first half progress with a surge in pre-tax profits from £209,000 to £1.35m in the year to end-December.

After a two year absence, the dividend has been restored with a final payment of 1.5p.

The company attributed the sharp recovery to the impact of cost reductions implemented over the past three years, together with small improvements in trading conditions.

Cost cutting had continued in areas where there had been no sign of improved trading conditions - this resulted in further redundancy costs of £133,000 being incurred.

Turnover on continuing operations grew from £26.4m to £32.8m in the year. Earnings per share came to 8.3p (2.1p).

Mauders rises on more normal trading

A return to more normal trading conditions enabled John Mauders Group, the Manchester-based housebuilder, to report pre-tax profits for the

six months to December 31 more than doubled at £3.03m, against a restated £1.4m.

Mr John Mauders, chairman, said that the result had

also been helped by management changes and the implementation of tighter cost controls.

Turnover rose to £53.3m (£53.9m) with completions rising to 499 units (563) at an average selling price of £69,500 (£66,900). Operating margins improved to 10.25 per cent, compared with 8.54 per cent in the second half of the previous year.

The pre-tax figure was struck after net interest charges of £406,000 (£384,000) and gearing at the period end was 34 per cent.

Earnings per share came out at 8.18p (3.79p) and the interim dividend is being raised to 2.45p (2.3p).

Bruntcliffe at £835,000

In its first set of preliminary results since obtaining a full listing in May 1993, Bruntcliffe Aggregates returned pre-tax profits of £835,000.

Turnover totalled £47.7m and basic earnings per share emerged at 2.5p. A single dividend of 0.5p is proposed.

All turnover and profits relate to continuing operations from acquisitions during the year.

With order books remaining buoyant the directors looked for a satisfactory year ahead.

They said acquisitions would be the primary engine for growth but that they would only consider opportunities that were cash generative, profitable and had strong market positions.

Bilston Enamels orders growing

Pre-tax losses at Bilston & Battersea Enamels, the USM-traded maker of hand painted enamel boxes, widened marginally from £222,000 to £233,000 for the year to end-December on turnover 14 per cent ahead at £4.58m.

Sales showed a 26 per cent increase in the second half, mostly in the UK. The directors said that sales and orders in the first quarter of 1994 indicate that this growth rate should continue.

The loss included a provision of £150,000 for the closure of the London operation. Losses per share emerged at was 3.5p (4.1p).

Enlarged TLS £209,000 in profit

TLS Range, the USM-traded vehicle rental group, continued to progress through the second half and for the full 1993 year swung from losses of £190,000 to profits of £209,000 pre-tax.

Turnover improved from £9.7m to £11.63m with acquisitions during the year lifting the hire fleet by 1,318 vehicles to 3,058.

Earnings per share worked through at 0.5p (losses 0.98p) and the recommended single dividend is being doubled to 0.5p.

Mr Peter Busby is joining the group as finance director effective from April 1. He was formerly with the Scape Group.

Slimline Baird improves to £19.6m

By David Blackwell

William Baird, the textile group, reported virtually static operating profits of £24.7m for the year to end December.

At the pre-tax level they rose from £14.2m to £19.6m, reflecting lower interest charges of £2.2m (£3.3m) and a smaller exceptional charge of £2.9m on the disposal of the group's Darchem Engineering businesses, compared with £7m of exceptional in 1992.

Mr Donald Parr, chairman, described trading conditions during the year as erratic, with markets continuing to be extremely competitive. But he was confident that the group's strategy of focusing on the core clothing and textiles business would show increasing returns.

Turnover from the textiles businesses rose from £439.5m to £472.2m, including a contribution of £29m from Richard I. Racke, a maker of women's wear and casual clothing acquired last August. Operating profits were flat at £21.1m, including £2.3m from acquisitions.

Operating profits from the engineering side of the group were £1.3m (£1m). The division's turnover fell from £101.7m to £50.4m, leaving total turnover at £522.6m, down from £541.5m. Last July the main Darchem Engineering businesses were sold to the Weir Group for £18m.

The acquisition of Racke, which turned Baird into the third largest supplier to Marks and Spencer, helped Baird's contract clothing division to lift turnover by 17.6 per cent to £230m. Like for like turnover grew by 7 per cent, and margins improved from 3.7 per cent to 4.1 per cent.

Mr Parr said the integration of Racke into Baird's Racke under a single management team was almost complete, with the consequent operating economies cutting on stream.

The branded clothing division, which includes Windmoor and Denimair, increased turnover by just 1.9 per cent to £213m. Operating profits were down from £12.2m to £11.3m as margins were squeezed to 5.3 per cent (5.8 per cent).

Basic earnings per share rose from 8.4p to 10.9p. An unchanged final dividend of 5.35p is proposed, giving an unchanged total of 8.9p.

COMMENT

The disposal of the engineering side has absorbed a lot of management time that could have been devoted to making the textile assets sweat. The virtual completion of the disposal programme and management changes in the textile divisions suggest that the company is ready to do just that - the question is how long will it take to turn round. Margins on textiles were around 4.5 per cent last year, well down on the company's 1992 achievements. Profits this year are likely to be around £27m, giving a prospective multiple of around 15. The shares have been supported by the yield of 4.6 per cent, but otherwise look dull.

McDonnell Info

Shares in McDonnell Information Systems, the computing services company which came to the market via a placing and a poorly subscribed public offer at 260p, dipped to 250p when trading in the shares began yesterday. They later recovered to close at 257p. Trading volume was 628m shares.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Abbeycroft	2	May 27	2	3.2	3.2
APV	1.5	July 1	1.5	3.0	3.0
Ayrshire Metals	8.35	July 7	8.35	8.35	8.35
Baird (Wm)	5.35	July 7	5.35	5.35	5.35
Berardo	1.2	Apr 22	1.1	1.2	1.1
BHS Resources	3.3	July 1	3.3	3.3	3.3
Booker	14.25	July 1	14.25	14.25	14.25
Bournemouth Water	91	May 20	86	120	86
Bridon	2.75	July 4	2.75	2.75	2.75
Bruntcliffe	0.5	May 27	0.5	0.5	0.5
Castle's	3.1	May 27	2.8	5	4.25
Caverdale	0.15	May 27	0.15	0.15	0.15
CIA Group S	3.88	Apr 29	3.03	5.14	4.35
Cuiver Holdings	0.14	May 12	0.12	0.25	0.2
Dowling & Mills	0.94	May 12	0.92	0.92	0.92
Frost Group	2.75	July 1	2.75	2.75	2.75
Gaest	4.4	July 1	4.4	4.4	4.4
Gleeson (B&I)	3.35	June 30	3.35	3.35	3.35
Hepworth	9.25	July 4	9.25	9.25	9.25
Leasing (John)	1.5	Apr 29	1.5	1.5	1.5
Managers Brown	2.45	Apr 29	2.45	2.45	2.45
Mauders (John)	0.8	May 27	0.84	0.84	0.84
Morison (Wm)	0.8	May 27	0.84	0.84	0.84
Mowlem (John)	0.8	May 27	0.84	0.84	0.84
Pacific Sensing	1.2	June 13	1.2	1.2	1.2
PSG	11.1	July 6	10.25	17.55	16.2
Reckitt & Colman	1.8	May 31	1.8	1.8	1.8
Rubercold	5	May 31	5	5	5
Slough Estates	1.15	July 1	0.85	3.4	3.1
Sphere Invest	1.15	July 1	0.85	3.4	3.1
Sun Alliance	9.5	June 1	9.25	14.75	14.25
TLS Range S	0.5	June 1	0.25	0.5	0.25
Unit Newspapers	14.5	July 1	14	22	21.5
Wellcome	8.8	June 1	4.8	17.3	17.3
West Hants Water	80	May 20	78	78	78
Wolstenholme Rink	11.21	May 13	10.5	18	17

Dividends shown pence per share net except where otherwise stated. *On increased capital. USM stock. †Excluding special payment.

Stronger dollar helps Reckitt rise to £260m

By Maggie Urry

A sharp rise in the dollar helped Reckitt & Colman, the consumer goods group, to increase pre-tax profits from £165m to £260m on an FR54 basis. The 17 per cent appreciation in the dollar against the pound, and other exchange rate moves, added some £16m to £17m to pre-tax profits.

Excluding the £15m coupon on the group's £300m of convertible capital bonds, profits rose 51.4 per cent to £279m up from £184m, restated for the Indian activities' move from associate to subsidiary status.

A proposed final dividend of 11.5p (10.5p) gives a total of 17.55p (16.2p), a rise of 8.3 per cent. Mr Vernon Sankey, chief executive, said the dividend increase reflected Reckitt's policy of progressive increases above the rate of inflation.

Group sales rose 8.4 per cent to £2.1bn, and operating profits were up from £276m to £316m. Interest charges, excluding

the bond coupon, rose from £33.7m to £55.5m as sterling deposits fell and attracted lower returns. Strong cash flow cut net debt by £97m to £216.5m, excluding the capital bonds, compared with shareholders' funds of £704m (£618m).

Mr Sankey said that one objective in 1993 had been to increase the proportion of profits from North America, which includes Mexico, and this had gone up from 18 per cent to 21 per cent. Another was to raise the proportion from faster growing economies such as South America and South East Asia, and these had risen from 16 per cent to 20 per cent in spite of hyper-inflation in Brazil.

Operating profits from household and toiletry rose from £188m to £206m, helped by new product development. Pharmaceutical profits rose from £42m to £45.5m, with extensions of products such as Dettol and Lemsip. Food profits were up from £45m to £54.5m, in spite of the effect of

a soft drinks price war on Robinsons and poor summer weather.

Stated earnings per share were 45.02p (25.16p), but the underlying earnings growth was 10.1 per cent to 43.64p (29.82p).

COMMENT

Although the shares fell 10 1/2p to 606p yesterday, this probably had more to do with the market than any real disappointment with the numbers. Reckitt's merits lie in its strong cash generation, high margins, strong brand positions and geographical spread, all of which contribute to the regular progression in dividends. However, unlike its mustards, Reckitt never fights the fire of the mass of investors. Hence a low prospective p/e, of around 12 1/2 on pre-tax forecasts of £310m-plus, and a historic yield of 8.5 per cent which should continue rising faster than inflation. For investors seeking reliability rather than fireworks, Reckitt is a good bet.

Hepworth shares fall 8% in spite of 30% rise to £58m

By Andrew Taylor, Construction Correspondent

Shares in Hepworth, the building materials and boiler group, fell 8 per cent, or 35p, yesterday to 416p in spite of its announcement of a 30 per cent rise in pre-tax profits in 1993 from a restated £44.8m to £58.3m.

The market was more concerned at the company's warnings about the slow pace of the UK construction recovery and worries that Hepworth's price increases were unlikely to stick in what remain very competitive markets.

Turnover increased from £627.5m to £654.7m. The rise in earnings per share from 15.6p to 19.2p was in line with market forecasts. The final dividend was held at 9.35p keeping the year's total at 14.55p.

Many of the group's markets remained flat with the decline in construction activity reaching bottom in the UK but still falling in many continental European markets.

Profits of Saundier Duval

Nonetheless, margins improved in a number of areas as a result of previous cost-cutting, rising exports and product development. The group's range of products ranges from clay pipes to central heating boilers: this gives it a wider exposure to the construction industry than most building materials groups.

Mr John Carter, managing director, said that European construction markets were likely to remain demanding in the short term but ultimately would benefit from lower interest rates.

Gearing fell from 136 to 12 per cent following last year's conversion to equity of £100m of convertible bonds.

Profits in the building products division rose from £14.5m to £20.1m helped by exports of clay pipes to the busy German housing market. Profits in the home products division rose 10 per cent to £11.7m (£10.6m) helped by an 8 per cent rise in the UK boiler market.

Profits of Saundier Duval

proved very resilient - they fell by 21m to £25.2m - given the problems facing continental European construction markets. Hepworth Refractories' profits rose from £3.6m to £5.5m, while profits from the minerals and chemicals division dipped to £8.1m (£8.5m).

COMMENT

Comments by Hepworth and John Laing that the UK construction revival may not be proceeding as fast as had been previously thought may increase concern ahead of next month's tax rises, which may yet undermine confidence in the housing market. That, and fears about the effect of public spending cuts on the UK road programme were enough to send Hepworth's shares falling.

The company, like Laing in contracting, is a quality performer but its strengths are well known. Pre-tax profits of £58m in 1994 put the group on a prospective p/e of 20 - high enough given uncertainty about the pace of recovery.

Frost increases 33% and plans further expansion

By David Blackwell

Frost Group, the UK's largest independent petrol retailer, boosted profits by 33 per cent for the year ended December 31 on the back of a 43 per cent rise in turnover.

Pre-tax profits were up from £57.6m to £77.6m on turnover of £177.2m (£124m).

Earnings per share rose from 7.7p to 8.5p. A final dividend of 2.7p (2.2p) is proposed, giving a total of 4.9p (3.9p).

Mr John Murgatroyd, finance director, said yesterday that the company had opened another 50 sites during the

year, taking the group total to 131. The group now accounted for 1.65 per cent of UK petrol sales.

Frost, which trades as Save Service Stations, increased its market share against a background of a 1.5 per cent fall in UK volume, and a fall of 3.1 per cent in the number of petrol stations to just under 1,000.

Last October Frost made a 5-for-1 rights issue to raise £21.3m in order to repay bank debt and clear the way for further acquisitions. It ended the year with cash of nearly £7m and unused existing facilities of £21m. Net assets rose from

£27m to £50.9m.

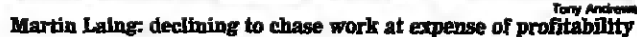
Mr Murgatroyd said the group planned a further 45 to 50 sites this year.

Frost sites its shops in towns and local communities, believing that motorists tend to fill up at the beginning or end of their journeys. Each site has a Smilies corner shop, selling goods ranging from coal and grow-bags to milk and bread. The shops are open 16 hours a day, seven days a week.

Reduced operating costs and housing provisions behind 58% jump

**By Andrew Taylor,
Construction Correspondent**

Given low profits available on traditional UK contracts won in open tender - construction profits last year represented just 1.8 per cent of turnover (including interest earned on advance cash payments) - Laing intends to seek a greater proportion of its work abroad. This currently accounts for about ten per cent of the com-



pany's order book of about £900m, but could rise to a fifth over the next few years.

The company also intends to increase its involvement in privately financed infrastructure projects. The company has acquired a 25% stake in the £200m Birmingham Airport (B&M); the Severn road bridge (£35m); a hospital at Clydebank; two Spanish motorway companies (£22m) and Malaysian power stations (£12.2m).

The company's last year's turnover of £20.8m through a placing and offer for sale of convertible preference shares to help fund private infrastruc-

performance during the recession has been impressive. Its weakness is its housing operations which still hold a high proportion of more expensive land acquired during the late 1980s. Southern California, although improving, also, remains a difficult housing market. With housebuilding leading the industry out of recession and UK contracting margins likely to remain low, Lang's rating looks full on a prospective p/e in the mid-twenties on pre-tax profits of £20m this year.

By Simon Davies

Basic earnings per share emerged at 9.8p (7.8p, or 9p adjusted to include the £1.4m exceptional gain) A recommended final dividend of 3.1p makes a 5p (4.2p) total.

By David Blackwell

£25m, giving prospective multiples of 10 and 15 respectively. Those who view it as a recovery stock should be prepared for a bumpy ride.

The company said it intended to put a resolution to the AGM for a 1-for-1 scrip issue and would apply to the Stock Exchange to delist the share and loan capital.

**By Diane Summers,
Marketing Correspondent**

Turnover increased by 21 per cent from £235m to £285m, although new business gains were down from £76m to £69m. The group said there had been strong growth of business from existing clients and client

Earnings per share increased by 18 per cent from 15.72p to 18.54p.
A proposed final dividend of 3.68p makes a total of 5.14p, also up 18 per cent.

Earnings per share amounted to 1.02p (0.94p losses) and the company has returned to the dividend list with a final of 0.15p.

By Rebecca Res

The company has changed its fiscal year end from March to December to eliminate seasonal influences of activities in the first halves. Comparisons, therefore, are for the months to March 31.

vehicles division which continued to produce 36 taxis a week. Pre-tax profits here were £1.34m (£30,000) on turnover of

The company has changed its financial year end from March to December to balance the seasonal influences of activities over the two halves. Comparisons, therefore, are for the 12 months to March 31.

The company last paid a dividend in 1992, when the distribution totalled 2p.


1st hour	2nd hour	3rd hour	4th hour	5th hour	6th hour	7th hour	8th hour	9th hour	10th hour	11th hour	12th hour	13th hour	14th hour	15th hour	16th hour	17th hour	18th hour	19th hour	20th hour	21st hour	22nd hour	23rd hour	24th hour	25th hour	26th hour	27th hour	28th hour	29th hour	30th hour	31st hour	32nd hour	33rd hour	34th hour	35th hour	36th hour	37th hour	38th hour	39th hour	40th hour	41st hour	42nd hour	43rd hour	44th hour	45th hour	46th hour	47th hour	48th hour	49th hour	50th hour	51st hour	52nd hour	53rd hour	54th hour	55th hour	56th hour	57th hour	58th hour	59th hour	60th hour	61st hour	62nd hour	63rd hour	64th hour	65th hour	66th hour	67th hour	68th hour	69th hour	70th hour	71st hour	72nd hour	73rd hour	74th hour	75th hour	76th hour	77th hour	78th hour	79th hour	80th hour	81st hour	82nd hour	83rd hour	84th hour	85th hour	86th hour	87th hour	88th hour	89th hour	90th hour	91st hour	92nd hour	93rd hour	94th hour	95th hour	96th hour	97th hour	98th hour	99th hour	100th hour	101st hour	102nd hour	103rd hour	104th hour	105th hour	106th hour	107th hour	108th hour	109th hour	110th hour	111th hour	112th hour	113th hour	114th hour	115th hour	116th hour	117th hour	118th hour	119th hour	120th hour	121st hour	122nd hour	123rd hour	124th hour	125th hour	126th hour	127th hour	128th hour	129th hour	130th hour	131st hour	132nd hour	133rd hour	134th hour	135th hour	136th hour	137th hour	138th hour	139th hour	140th hour	141st hour	142nd hour	143rd hour	144th hour	145th hour	146th hour	147th hour	148th hour	149th hour	150th hour	151st hour	152nd hour	153rd hour	154th hour	155th hour	156th hour	157th hour	158th hour	159th hour	160th hour	161st hour	162nd hour	163rd hour	164th hour	165th hour	166th hour	167th hour	168th hour	169th hour	170th hour	171st hour	172nd hour	173rd hour	174th hour	175th hour	176th hour	177th hour	178th hour	179th hour	180th hour	181st hour	182nd hour	183rd hour	184th hour	185th hour	186th hour	187th hour	188th hour	189th hour	190th hour	191st hour	192nd hour	193rd hour	194th hour	195th hour	196th hour	197th hour	198th hour	199th hour	200th hour	201st hour	202nd hour	203rd hour	204th hour	205th hour	206th hour	207th hour	208th hour	209th hour	210th hour	211st hour	212nd hour	213th hour	214th hour	215th hour	216th hour	217th hour	218th hour	219th hour	220th hour	221st hour	222nd hour	223rd hour	224th hour	225th hour	226th hour	227th hour	228th hour	229th hour	230th hour	231st hour	232nd hour	233rd hour	234th hour	235th hour	236th hour	237th hour	238th hour	239th hour	240th hour	241st hour	242nd hour	243rd hour	244th hour	245th hour	246th hour	247th hour	248th hour	249th hour	250th hour	251st hour	252nd hour	253rd hour	254th hour	255th hour	256th hour	257th hour	258th hour	259th hour	260th hour	261st hour	262nd hour	263rd hour	264th hour	265th hour	266th hour	267th hour	268th hour	269th hour	270th hour	271st hour	272nd hour	273rd hour	274th hour	275th hour	276th hour	277th hour	278th hour	279th hour	280th hour	281st hour	282nd hour	283rd hour	284th hour	285th hour	286th hour	287th hour	288th hour	289th hour	290th hour	291st hour	292nd hour	293rd hour	294th hour	295th hour	296th hour	297th hour	298th hour	299th hour	300th hour	301st hour	302nd hour	303rd hour	304th hour	305th hour	306th hour	307th hour	308th hour	309th hour	310th hour	311th hour	312th hour	313th hour	314th hour	315th hour	316th hour	317th hour	318th hour	319th hour	320th hour	321st hour	322nd hour	323rd hour	324th hour	325th hour	326th hour	327th hour	328th hour	329th hour	330th hour	331st hour	332nd hour	333rd hour	334th hour	335th hour	336th hour	337th hour	338th hour	339th hour	340th hour	341st hour	342nd hour	343rd hour	344th hour	345th hour	346th hour	347th hour	348th hour	349th hour	350th hour	351st hour	352nd hour	353rd hour	354th hour	355th hour	356th hour	357th hour	358th hour	359th hour	360th hour	361st hour	362nd hour	363rd hour	364th hour	365th hour	366th hour	367th hour	368th hour	369th hour	370th hour	371st hour	372nd hour	373rd hour	374th hour	375th hour	376th hour	377th hour	378th hour	379th hour	380th hour	381st hour	382nd hour	383rd hour	384th hour	385th hour	386th hour	387th hour	388th hour	389th hour	390th hour	391st hour	392nd hour	393rd hour	394th hour	395th hour	396th hour	397th hour	398th hour	399th hour	400th hour	401st hour	402nd hour	403rd hour	404th hour	405th hour	406th hour	407th hour	408th hour	409th hour	410th hour	411th hour	412th hour	413th hour	414th hour	415th hour	416th hour	417th hour
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Weekend FT

COMPANY NEWS: UK

All-round growth and £19.6m exceptional gains behind advance

United Newspapers rises 25%

By Raymond Snoddy

United Newspapers, publishers of the Daily Express, yesterday reported a 25.3 per cent rise in pre-tax profits from £109.9m to £137.7m, with all divisions contributing despite difficult trading conditions.

The outcome was flattered by exceptional gains of £19.6m mostly the sale of Exel Financial to Pearson, owner of the Financial Times, against gains of £10.4m a year earlier. Before exceptional, pre-tax profits rose by 18.7 per cent to £118m in the year to December 31.

Lord Stevens, the chairman of the group, whose interests range from regional newspapers and business magazines to exhibitions, warned that the pace of economic recovery in the UK and the US "is not consistent." United expected, however, its "recent major investments to perform well."

Turnover for the year rose 9.3 per cent to £908.4m and earnings per share rose 15 per cent to 44.9p a share, or before exceptional by 6 per cent to 35.9p. A final dividend of 14.5p is proposed for a total of 22p (21.5p).

Mr Derek Terrington, media analyst at stockbrokers Klein-



Lord Stevens: expected recent major investments to perform well

wort Benson said yesterday: "This is quite a good set of results and for all the right reasons." There had been improvements across the group and the second half recovery was being sustained in the first half of the current year.

United said that particularly strong results had been achieved in the US by its

advertising periodicals and the PR newswire. The US contributed operating profits of £44.5m on turnover of £243.5m.

The group's UK national newspapers increased operating profits by 2 per cent to £33.7m on turnover of £900.4m although "turbulent market conditions", price reductions by competing titles and extra

spending on new supplements held back profits. The UK and Europe contributed operating profits of £25.5m on £84.9m.

The sale of Exel Financial for £78.5m and the £190m rights issue left the group with net cash of £4.5m at year end compared with net debt £308.6m at the start of last year. This year, however, net debt has risen to £100m because of the acquisition of Harmon Homes and the Hong Kong International Trade Fair.

COMMENT

United makes little fuss and avoids headline catching stories such as the battle for the future of The Independent or big takeovers. It has, however, got on with quietly managing its businesses with solid results across a wide front. With so many of its businesses sensitive to advertising, it should be poised to take advantage of cyclical recovery. In meetings with City analysts yesterday the atmosphere was a little less cautious than in the formal statements. Pre-tax profits should rise to about £140m this year for a prospective p/e ratio of 16, a moderate rating for such a broadly based publisher.

Chez Gérard gets £21m valuation

By David Blackwell

Chez Gérard, the London restaurant group, finalised its flotation yesterday, pricing the shares at 112.5p to produce a market capitalisation of £21m.

After the flotation there will be 18.67m shares in issue of which 70 per cent are being placed with institutions. It will raise £2m of new money, of which £1m will be used to clear the company overdraft, leaving £3m for further acquisitions.

The company forecasts in the prospectus a 69 per cent increase in pre-tax profits to £1.62m for the year ending June 24.

Groupe Chez Gérard owns Bertonelli's in Covent Garden, Café Fish off Haymarket, Soho Soho in Frith Street and three Chez Gérard restaurants. It also operates and has a 25.5 per cent stake in Chutney Mary in Chelsea.

Mr Neville Abraham, chairman and chief executive, said the company would be investing up to £5m in further restaurants over the next two to three years. For the foreseeable future they would be sited in central London. "That's our patch, and we have demonstrated our success."

Mr Abraham and Mr Lawrence Isaacson, deputy chairman, entered the restaurant business in 1980, converting a banana warehouse next door to the Royal Opera House into Café des Amis du Vin, which they sold in 1984 for £2.5m. The two men and their management team will retain 90 per cent of the enlarged share capital.

Holiday in talks for acquisition

Holliday Chemicals, the industrial dye and specialty chemicals group, said it was in an "advanced stage of negotiations" for the purchase of a European chemical business.

The statement, put out in response to market rumours, said the target business had a turnover of £30m in 1993. It concluded, the buy would be funded by a rights issue of convertible preference shares.

Exceptional costs leave Bridon £23m in the red

By Paul Taylor

Bridon, the Doncaster-based wire rope and engineering products manufacturer which announced a substantial restructuring last month, yesterday reported a £22.7m pre-tax loss for 1993 after £22.4m of exceptional charges.

The expected deficit, which compares with a previous profit of £1.2m after a £1.1m of exceptional charges, came on flat turnover of £315.7m.

Losses per share of 39.9p compare with earnings of 1.9p the previous year. However, reflecting the board's increasing confidence in the future, the final dividend is maintained at 2.75p making an unchanged 4p total. Bridon's shares closed down 3p at 148p.

Commenting on the results Mr Brian Clayton, chairman, said 1993 saw a continuation of recessionary pressures in many of Bridon's markets. Demand in the UK stabilised but conditions deteriorated in continental Europe - particu-

larly Germany and Italy.

The group's wire and wire rope manufacturing operations had to contend with increases in raw material costs in the second half, while market conditions prevented the full recovery of these higher costs.

Group operating profits before exceptional items fell to £6.3m (£7.8m). Mr Ronald Petersen, chief executive who joined the group in September, said higher raw material prices in the second half reduced operating profits by around £400,000 in the UK and by about £1m (£500,000) in the US.

The bulk of the exceptional charges - which will cover the costs of a new strategy aimed at improving the group's market focus and manufacturing cost base - relates to the planned restructuring of the wire and wire rope operations.

Last year these activities recorded reduced operating profits of £2.5m (£4m) before £16m (£1m) of exceptional costs, on sales of £216.1m (£210.7m).

In contrast, operating profits improved slightly in the fibre products and industrial textiles operations, but engineering profits slipped to £300,000 (£1.9m) before exceptional costs of \$6.1m (£100,000) on flat sales of \$45.4m (£45.6m).

The 1993 pre-tax deficit also took account of a £2.8m loss on the sale and termination of operations and reduced net interest costs of £3.3m (£4.2m).

COMMENT

Bridon faces fierce competition from east Asia in its core wire and wire rope business and its strategy for the future - code named Project 360 - which was also unveiled yesterday, is in essence a survival plan. Implementation will take time and will probably involve further disposals. In the meantime, the group is fortunate in having a strong balance sheet. No benefits are expected before 1995 at the earliest, so results are particularly difficult to predict. For the moment the 3.3 per cent dividend yield is supporting the share price.

Lower palm oil prices hit plantation results

Lower palm oil prices, offset by higher investment income were factors in the annual results of two plantation companies in which Rowe Evans Investment has substantial holdings.

Beradin Holdings reported marginally higher pre-tax profits of £485,000 (£476,000) for the year to December 31 on turnover of £331,000 (£1.02m). It said that the palm oil price was an average 10 per cent lower, but it had received increased dividends from other plantation companies of £112,000 (£66,000).

Earnings per share, helped by a lower tax charge of £198,000 (£226,000) were 2.01p (1.69p) and it is proposed to increase the single final payment to 1.2p (1.1p).

Padang Sonang Holdings showed profits down from

£183,000 to £161,000 pre-tax on turnover of £324,000 (£297,000). It said palm oil prices had fallen 12 per cent while rubber prices continued at a low level. Investment income was doubled to £85,000 (£42,000).

Earnings per share helped by a lower tax charge of £90,000 (£90,000) were 2.05p (1.88p) and the proposed single final payment is unchanged at 1.2p.

BNB Resources

Turnover of BNB Resources, the recruitment and consulting concern, rose from £62.95m to £70.12m for 1993, while pre-tax profits surged to £2.59m, against £1.2m.

Earnings per share were 3.7p (3p), but the dividend is unchanged at 4.5p with a same-again 3.3p final.

Expanded Malaya cuts losses to £378,000

By Paul Taylor

Malaya Group, the fast expanding USM-quoted motor retailer, reported a reduced pre-tax loss of £378,000 for 1993, down from £982,000.

During the first full year of a planned expansion in the London and the home counties, the group grew from two franchisees at the start of 1993 to 10 by the end of the year, with eight new and used car outlets. The group has also been appointed the concessionaire for Bogatti in the UK.

The board said the restructuring and development, initiated by its new management in the latter part of 1992, "progressed wholly in line" with its expectations.

Reflecting the expansion, turnover increased sharply to £49.7m (£38.35m), including

£38.5m from acquisitions. At the operating level losses fell from £822,000 to £331,000.

The reduced pre-tax loss was struck after a £45,000 profit on a property disposal and reduced net interest costs of £90,000 (£290,000).

Losses per share were cut to 0.54p (4.98p).

In view of the loss, which the company said was in line with expectations, no dividend is recommended.

In June Malaya raised £9.7m net of expenses through a placing and open offer. The group said the remaining planned acquisitions in London and the home counties would be funded from existing resources. It added that it had experienced improved trading conditions since the start of 1994 and "looks forward to a return to profitable trading."

Anglian Water expands in US

By Peggy Hoffinger

Anglian Water, the privatised UK utility, yesterday stepped up its presence in the US, with the £27m (£18.4m) cash purchase of a California-based membrane technology company.

Fluid Systems, sold by US conglomerate Allied Signal, will have net assets of \$8m after completion. It is Anglian's second purchase in the US. It follows last year's acquisition of a small Massachusetts-based company through the purchase of Nordic Water, the Swedish process engineering group.

Mr Andy Nield, finance director of Anglian

Water Process engineering, said the group had sought access to the technology in the UK, but this had proved difficult.

The process, which uses a cloth membrane to separate impurities from water, was more advanced and in greater demand in the US, he said. "We see the technology will be increasingly important in the future," he said.

Anglian intended to expand Fluid Systems' client base through its operations in Scandinavia, France, Germany and Australia.

Fluid Systems last year made a pre-tax profit of £2.3m on sales of £18.6m.

National Grid in Indian link

By Michael Smith

National Grid, operator of the England and Wales power transmission system, is in talks with Power Grid of India to set up a joint venture to undertake transmission projects in the sub-continent.

A deal is thought to be close for a venture which would build, operate and maintain systems. National Grid, which

is owned by the 12 regional electricity companies in England and Wales, is believed to be considering an investment of up to £25m.

The Indian venture would be the second significant equity deal overseas. The first was in Argentina.

Last year National Grid said it planned to invest £370m overseas over the next five years.

The expansion abroad reflects the limited opportunities UK electricity companies have in the relatively mature UK power market.

Power Grid is examining several projects in India which will require significant investment including the linking of separate zones of the country.

National Grid could not confirm yesterday the details of its negotiations.

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TCW Capital Investment Corporation

COMPANY NEWS: UK

Booker at £87m and debt cut

By Maggie Urry

The first fruits of the new management regime at Booker, the food group, were shown in a 1993 rise in profits from £67.9m to £87m. The figures were struck after losses on disposals of £2.8m, against £5.5m. Underlying earnings per share rose by 16.9 per cent to 28.5p, covering a maintained total dividend of 31.75p by 1.3 times.

Mr Charles Bowen, the chief executive who joined the group last summer, said the three prime objectives of generating more cash, increasing the focus of the group, and improving head office control of the business.

Investors were surprised by the reduction in net debt the group had achieved, with borrowings down from £166m to £125.7m, cutting gearing from 95 to 71 per cent. The shares rose 18p to 429p, against the market trend.

Mr Bowen said further sales of small, non-core activities could be expected this year, with some likely soon. Booker would concentrate on three areas, food distribution, processed food and fish, and agriculture.

He said after cutting debt by £29.3m in 1993, there were aggressive targets to cut working capital further to 1994. Capital expenditure would not be cut, indeed investment hurdle rates had been reduced from 25 to 15 per cent.

Group sales were 3.7 per cent up at £3,576m, and operating profits rose 5.6 per cent to

£103m. Profits from continuing operations were 10.4 per cent up at £100.2m. Interest took £17.1m (£20.6m).

Food distribution profits rose 13.7 per cent to £42.1m despite flat sales in the UK. Costs were cut and there was strong growth in Portugal. Profits from the food service division, which suffered severe problems at Booker Fitch in 1992, recovered to £15.1m (£9.6m).

Fish processing profits were flat at £8.4m, while prepared foods profits fell from £14.3m to £13m as margins were squeezed by supermarkets.

Changes in demand patterns for chicken meant hit profits from US agribusiness, down from £13.1m to £6.8m. But in the UK a recovery in salmon farming and the devaluation of the green pound lifted profits from £2.2m to £9.3m.

COMMENT

Mr Bowen appears to be working wonders already at Booker, if only by giving investors pleasant rather than nasty surprises. These figures showed a new clarity and also demonstrated how getting basic things right could transform cash flow. That said, the trading environment is still poor and profits are unlikely to rise much this year, perhaps to about £92m pre-tax. However, the quality of earnings is improving more rapidly than the quantity, and though the prospective pile of around 15 is not particularly attractive, a yield of 6.3 per cent - which looks increasingly secure - is and the shares should rise with Booker's credibility.

Cray £10.3m disposal

Cray Electronics announced yesterday the sale of its defence businesses for £10.3m to QVS Industries which will trade as Basys Holdings. The cash consideration includes the repayment of intra-group borrowings of £7.35m.

The sale of Cray Technology (Osport), Cray Marine and Cray Computer Graphics previously contributed pre-tax profits of £15m.

Cray shares closed 3p down at 171p.

Raising a glass to prospects of growth

Tony Jackson considers the logic of Allied-Lyons' £739m purchase of Pedro Domecq

On the face of it, Allied-Lyons' proposed £739m purchase of Pedro Domecq is a splendid proposition.

Allied becomes, on its own reckoning, the world's second biggest spirits producer after Grand Metropolitan, overtaking Guinness. It gains some powerful brands with which to attack the fast-growing South American market.

It also recruits some able managers, mostly members of the Domecq family, who thoroughly understand the Hispanic world of drinks.

On closer inspection, the sceptic might ask just what Allied is getting for its money.

The overwhelming bulk of Domecq's profits - 97 per cent - come from two countries, Mexico and Spain. Allied's products in those countries are already distributed by Domecq. Domecq's own brands mostly have limited appeal outside those two countries, so there is little scope for Allied to push them through its own distribution system.

And Allied already has a blocking vote in the shape of a 32 per cent holding in Domecq.

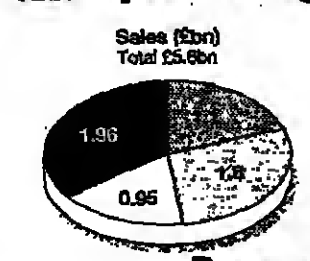
Outright control of the business, Allied argues, means a great deal. This is a little out of odds, however, with the praise lavished on Domecq's management yesterday, and the fact that the same management will remain in place.

So what does Allied think it is getting? The answer, above all, is the prospect of growth.

"The logic of this is not about bringing together two big companies to take out a lot of cost," Mr Tony Hales, Allied's chief executive said yesterday. "It's getting faster growth in fast-growing parts of the world."

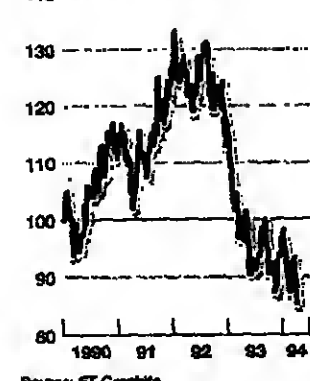
Mr Michael Jackman, Allied chairman, develops the point. Take Mexico, for instance, which contributes half of Domecq's trading profits, and

Allied-Lyons: from regional brewer to global drinks group in 33 years



Year to March 1993
Source: Company report

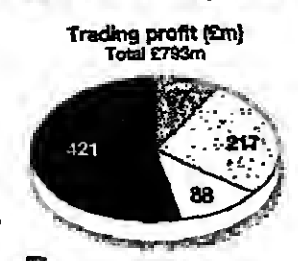
Share price
Relative to the
FT-SE 100 All-Share Index



Source: FT Graphite

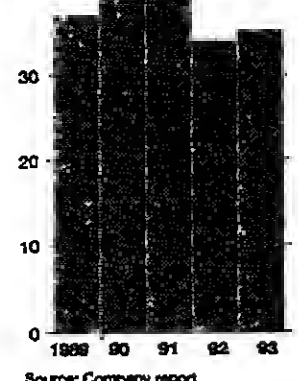
where Domecq has more than 40 per cent of the spirits market and an 80 per cent share in brands. "The fact is that the Mexican business has to develop and change," he said. "It probably has to change its focus from the domestic brandy business to imported products. That's a 10 or 15 year job, and it will be much easier to do when you call the shots than when you have to persuade your partners."

Equally, he added, there were a number of markets, especially in Europe, where Domecq still has its own distributors. In most of them Allied will take over the distribution.



Year to March 1993
Source: Company report

Earnings
Per ordinary share
(pence)



Source: Company report

Chronology

Allied-Lyons
1961 Company created by merger of
Ind Coope, Topley Walker and
Ansell
1968 Becomes Allied Breweries
1978 Bought Showers
1978 Bought Teacher's
1981 Bought J Lyons for £50m
1981 Home changed to Allied-Lyons
1986 Bought 51% of Hiram Walker,
acquiring balance in 1987
1988 Bought 100% of J Lyons
1989 Bought 80% of Chateau
Lafour, bought Dunkin Donuts for
£207m, bought James Burroughs
1991 Bought 24% of Lescage
1992 Licensed over 700 pubs to Brent
Walker, Showers sold to
management for £140m; Lyons held
sell breweries merged with UK arm of
Carlsberg

Pedro Domecq Group
1730 Founded in Jerez, Spain
1816 Acquired by Domecq family
1941 Established Mexican operation.
Becomes one of the largest drinks
companies in Latin America
1994 The world's eighth largest
spirits producer and distributor, it is
sold to Allied-Lyons for £739m
Main activities: production,
distribution and marketing of brandy,
whisky, wine and other drinks,
mainly in Mexico and Spain
Brands owned or controlled six of the
world's top 100 spirits brands and
President and Don Pedro, largest
and third largest selling brands

In the really long run, Mr Jackman was hopeful that Domecq's brandies could be sold in that fabulous goal of all consumer marketers, China. "Long term, that's going to be a strong cognac market," he said. "Spanish and Mexican brandies are good-tasting products, and I don't see any reason why there shouldn't be some space for them ultimately and we have a sales and distribution operation in China already."

Mr Hale was more pragmatic. "The biggest opportunity," he said, "is for us to sell more Scotch through their network, and more tequila through ours." As part of the deal, Allied will buy control of

Tequila Sauza, the second biggest-selling tequila in the world, with 35 per cent of the Mexican market.

For Mr Jackman, the deal has a further attraction: cash. Domecq was a very strong cash producer, he said. In the past, as a minority shareholder, Allied had profits but not cash. "Profit is all very well, but it's cash that pays the bills."

This was slightly at odds with a point made yesterday by Mr Ramon Mora-Figueroa, Domecq's chief executive. Explaining the Domecq family's motive in selling, he said: "When you have 500 members of the family who have seen Domecq grow so rapidly, espe-

cially over the past six years, while (the Domecq-Allied partnership) has been more interested in growth than in paying big dividends, some of them wanted to realise the value of their shares."

In other words, it sounds as if Domecq has been absorbing cash to grow, rather than throwing cash off. Mr Jackman disputed this, saying the family had been brought up to expect "really sexy" dividends, far more than an institutional shareholder would require.

Nor did he accept that the family's desire to sell obliged Allied to buy. "This is something I've been hoping for for a long time. It was just a question of when the shareholders got restive."

Meanwhile, the deal carries Allied further in its stated policy of concentrating on drinks and retailing, which includes pubs. Baskin-Robbins ice cream and Dunkin' Donuts. By implication, this leaves two unwanted divisions: food manufacture, and the Carlsberg-Tetley joint venture in brewing.

Yesterday, Mr Jackman said Allied was not engaged in any active talks about selling its food interests. On brewing, he was non-committal. Allied was happy with the current arrangement, despite the tough times facing UK brewers. Then again, he said: "We are not natural developers of a worldwide beer business as Carlsberg is."

The deal also confirms Britain's remarkable dominance of the world drinks industry. Allied is now lodged at the top of the tree with two other British groups, Guinness and GrandMet. The only other company in the same league is Seagram of Canada.

Perhaps, in the end, this is as persuasive an argument as any for the deal: that if the British have found something they are good at, they should make the most of it.

The end of life with the Lyons

By Diane Summers, Marketing Correspondent

Allied-Lyons' proposal to change its title to Allied-Domecq will mean the loss of a name that has played a significant part in British social history.

Lyons Corner House tea shops and restaurants were common meeting places from the turn of the century until the 1950s when they began to be supplanted by fast-food outlets.

The first Corner House opened in London's Coventry Street, between Piccadilly Circus and Leicester Square in 1909; a second opened in the Strand in 1915; a third at the junction of Oxford Street and Tottenham Court Road in 1928; and the fourth, at Marble Arch, was completed in 1933, enabling J Lyons to boast that "the four Corners of London" were serving 50m customers a year.

Most of the tea shops, including the Corner Houses, had disappeared by the time Allied Breweries bought J Lyons - formed as a public company in 1984 - for £60m in 1978.

One of the last tea shops, in the Strand, closed in 1981, although there was later a short-lived attempt to resurrect it as a Corner House.

Lyons, the second largest tea company in the world, is also the proud inventor of the round tea bag, which helped to give its Tea brand a leading position in the UK, Ireland and Canada. Other products bearing the Lyons name include biscuits and ice-cream.

The Lyons name was also attached to one of the oldest and best-known British coffee brands. However, Allied-Lyons sold its coffee interests in February; instant coffee went to Kraft Jacobs Suchard, while real coffee went to Paulig, the Finnish food group.

Takeover of a famous and independent family business

By David White in Madrid

The words "British sherry" are anathema to the proud businesses of Jerez de la Frontera - the name of an inferior product they do not even recognise as wine. How poignant it is, then, that the most famous of all sherry names should become a British company through takeover by Allied-Lyons.

Domecq is a resonant name in Spain, associated not only with wine and spirits but equally with bulls, jet-setting, conservatism and a many-tentacled family.

Although many of the best-known sherry businesses have British - or

in Domecq's case French - names, they have a strong tradition as independent Spanish family concerns. But in the last few years foreign multinationals have broken into this preserve, the absorption of the Pedro Domecq group being only the latest in the series.

Grand Metropolitan, through International Distillers and Vintners, has the Croft sherry and port concern and an important stake in Gonzalez Byass. Sandercock, also combining sherry and port, is controlled by Seagram, and the Williams and Humbert bodega in Jerez by Bols of the Netherlands. Allied-Lyons already has Harveys in its stable as well as its inter-

est in Domecq. Independent companies such as Osborne, among the sherry houses, and the Larlos spirits group are now the exception.

Rapid change of this kind goes against the grain in the sherry establishment, but it is accepted with resignation as companies face the need to diversify. Domecq, with its core business as a brandy producer facing declining consumption, has already diversified with the acquisition of new spirits brands, which have helped it to boost profits.

It also became a multinational in its own right, especially through its strong presence in Mexico.

However, it faced another problem of its own - long-standing discord among different branches of the family over the company's future.

Because of its many ramifications, nobody appears to be able to determine exactly how much of the company is still owned by the Domeqqs. Names are misleading. For instance, Mr Ramon Mora-Figueroa, chief executive, is a Domecq through his mother.

Mr Mora-Figueroa was instrumental in establishing the first links with Allied-Lyons in the 1970s. In 1982 a bid was fought off from Rumasa, the holding company headed by Mr José María Ruiz Mateos, who had built an empire from a small-time sherry busi-

ness and was later expropriated by the Spanish government. Lehman Brothers has been working towards a deal on behalf of minority shareholders, including members of the Domecq and Benjumea families, for more than a year. Last July the company sought an evaluation from Goldman Sachs, which then worked with Allied-Lyons' advisers, Barings, to formulate an agreement.

Family pride has not been discarded, though. The Spanish company's board was insistent yesterday that the deal would leave intact "the structure and personality, the style and tradition" that had been behind its success so far.

APV falls to £13m but upbeat about prospects

By Andrew Botger

APV, which supplies processing equipment to the food and drink industries, reported another drop in annual profits but was upbeat over the progress of its extensive restructuring programme.

Pre-tax profits fell from £20.2m to £13.4m in the year to December 31. Sales from continuing operations rose by 3 per cent to £334m, although exchange rate changes inflated the figure by £7m.

Sir Peter Cusack, chairman, said: "Significant progress has been made during 1993 in positioning the group for growth and a return to acceptable levels of profitability."

Despite the difficult economic environment, the chairman said APV was achieving good orders in a number of its chosen markets and overall, the order book was 10 per cent ahead of last year.

He added: "Our trading and financial position is stronger and I feel more confident about the group's prospects now than

at any time in the past four years."

APV said it had responded to difficult conditions by continuing to rationalise capacity, improve efficiency, divest non-core businesses and focus on identified target markets.

Mr Clive Strower, chief executive, said 10 plants had been closed or were closing and the workforce had been reduced by 2,500 to below 10,000 since 1992, the year he was appointed.

Economic conditions in the US improved during the year and there were some signs of recovery in the UK.

Recessionary conditions prevailed throughout continental Europe, although Asian economies continued to grow strongly, apart from Japan.

APV expected no significant improvement in the economic environment in continental Europe, which accounts for approximately 40 per cent of the group's orders and sales, during 1994.

Gearing fell from 31 per cent to 7.5 per cent.

Earnings per share fell to 0.9p (3p) but the final dividend is being held at 3.4p giving a maintained 5.4p total.

COMMENT

Analysts found the results a mixed bag, with rationalisation costs partly offset by an unexpected gain on an interest swap deal. However, the management has taken a cautious line on accounting standards. Most interest focused on the positive note struck concerning orders and future prospects, given the scale of recent surgery on the sprawling portfolio which Mr Strower inherited. The scale of the cost-cutting should make APV highly geared to any volume increase. Forecast profits of up to £25m put the shares, down 7p to 121½p, on a prospective multiple of 25, which clearly puts them in the recovery bracket. But few such stocks are underpinned by a prospective yield of 5.4 per cent and can already point to a 10 per cent rise in orders - even although its main market is still flat on its back.

Lower profits from sales of stakes in subsidiaries left Ex-Lands pre-tax profits for the six months to December 31 lower at £484,000, against £522,000.

Turnover was higher at £123m (£731,000).

Earnings per share came out at 0.68p (1.19p).

Wm Morrison forecasts upgraded after 17% rise

By Peggy Hollinger

William Morrison's shares rose 3p to 120p in a falling market yesterday as the market moved to upgrade forecasts for the Northern supermarket chain, on the back of stronger than expected results.

The group announced a 17 per cent increase in pre-tax profits to £97.8m, against a market consensus of about £90m. Sales also rose by 17 per cent to £1,546m for the year to January 30.

The City revised 1995 forecasts from about £100m to between £108m and £110m.

The better than expected performance was based on a strong margin recovery in the second half and contributions from new stores. Excluding new stores, like for like sales were 3.5 per cent higher.

Mr Martin Ackroyd, finance director, said sales had increased above expectations partly due to the decision to abandon opposition to Sunday trading.

"If there are five major groups opening on a Sunday

and one doesn't, he will suffer," Mr Ackroyd said. He had not changed his mind about the essential lack of benefits in Sunday opening, however. "I do not think we have earned anything. We have just recovered the losses."

Margins benefited from passing on price pressures to suppliers. The decline experienced in the 12 months between July 1992 and July 1993 - when Morrison sought to woo back customers tempted by discounters - had more than been recovered by the second half, he said.

Mr Ackroyd warned, however, that there was cause for caution. "The current year will no doubt continue to be extremely tough," he said. "If it becomes an all-out price war, then we will join the skirmishes with everyone else."

Morrison racked up capital expenditure of £120m in 1993-94, including the costs of opening eight stores. The group was currently trading from 67 stores and planned to have 72 by the end of the year. Capital expenditure of about

£170m was budgeted in 1994-95.

Gearing is expected to increase to about 25 per cent this year, against 13 per cent previously.

The dividend was increased from 0.64p to 0.8p, for a total 25 per cent higher at 1p (0.8p). Fully diluted earnings were ahead 11 per cent at 8.05p (7.23p).

COMMENT

William Morrison has recaptured its shine with these results after the interim disappointment. It has managed to get its payroll costs under control in the second half and begun to squeeze suppliers. However, this does not go all the way towards explaining the dramatic improvement in gross margins of 1 per cent. This is a well managed and traditionally conservative company, so such questions may be dismissed by some as nit-picking. The shares, on a prospective P/E of 12.7 times, are trading at a 15 per cent discount to the market and look cheap for the moment.

P&O ferries weather the storm

By Simon Davies

The Peninsular and Oriental Steam Navigation Company's ferries business put in a strong performance in the second half, and Lord Sterling, chairman, said bookings were 30 per cent higher than a year ago.

The ferry operations, separated for the first time in the group's accounts, made profits of £61.7m for the year to December 31, up from £72.9m.

The Channel Tunnel will undoubtedly affect revenue, but its late opening should at least secure flat 1994 earnings.

Lord Sterling said excess capacity on the cross-Channel business could be moved to

profitable European routes.

COMMENT

The market was pleased with the group's results and the evidence that dividends will finally be covered by recurrent earnings in 1994. Brokers have upgraded forecasts, but assuming £320m profits in 1994, the shares are on a P/E of 18.5 and a defensive yield of 4.4 per cent, assuming no increase in dividend. P&O has weathered the recession without jettisoning capacity, and now offers exceptional operational gearing, particularly on the container shipping side. The Channel Tunnel may blunt sentiment, but recent investment

sales hinted at P&O's underlying asset value and earnings are on a strong cyclical upswing, even without expected property sales. The shares look attractive, even after yesterday's 4 per cent rise.

Ex-Lands lower

Lower profits from sales of stakes in subsidiaries left Ex-Lands pre-tax profits for the six months to December 31 lower at £484,000, against £522,000.

Turnover was higher at £123m (£731,000).

Earnings per share came out at 0.68p (1.19p).

Monument rises 65% in spite of weakening oil prices

By David Lascelles, Resources Editor

Monument Oil and Gas, the independent exploration and production company, raised pre-tax profits by 65 per cent last year despite the steady weakening of the oil price.

The company earned £7.86m in the year ending December 31, up from £4.76m the year before. The profit attributable to shareholders nearly doubled from £4.12m (equivalent to earnings of 0.62p per share) to £8.11m (1.22p). As in previous years, the directors are propos-

ing to reinvest profits rather than pay a dividend.

Monument said the result showed the benefit of its policy of realising the value of mature properties, mainly in the North Sea, and replacing these reserves with new, lower cost developments. A major factor in the improved result was a reduction of the depletion charge from £16m to £10.1m as a result of the transition to lower cost fields.

The main challenge during the year was securing the £300m financing for its major Liverpool Bay gas develop-

ment, which received the go-ahead after some concern that it might be stopped by the government to avoid damaging the coal market.

Overall production in 1993 averaged 7,300 barrels of oil equivalent per day, down from the previous year. But output should rise to 30,000 barrels by mid-1995 when the Liverpool Bay, Johnston and Sierra Chata fields come fully on stream. Monument said its policy of active asset management, exploration and cost cutting placed it well for continued growth.

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COMPANY NEWS: UK

Ruberoid beats flotation forecast with £7.1m

By Peggy Hollinger

Ruberoid, the roofing subsidiary spun off by Tarmac, yesterday marginally beat the forecast made when it floated in November with pro forma pre-tax profits of £7.1m for the year to December 31.

Mr Ian McPherson, chief executive, offered cautious encouragement to Ruberoid's new shareholders by saying confidence appeared to be returning to some sectors. The leisure and health markets, in particular, had begun to show tentative signs of life.

Turnover was expected to rise this year, Mr McPherson said, although "it will be 1995 before there is a noticeable upturn in commercial and industrial new build activity".

Contracting orders were about 20 per cent ahead of last

year, excluding the effects of wet weather which hinders construction activity.

Mr McPherson said the group intended to focus this year on improving margins through cost reductions and getting synergies from businesses previously run as separate entities. So far, Ruberoid had made cost savings of about £10m on year, and a further £1m was expected to be squeezed out this year.

Ruberoid was created in November to hold businesses spun off by Tarmac. As a result, the accounts cover only the trading period to December 31. These showed pre-tax profits of £56,000 on sales of £42.85m.

On a pro forma basis, which assumes all the businesses had been trading together for 12 months, profits were £100,000

ahead of expectations at £7.1m, on sales of £282.8m.

Two of the three divisions showed operating profit increases. Cost reductions helped the building materials business return operating profits of £4.7m, against £2.5m last time. Sales were £200,000 ahead at £44.2m.

A rationalised building services reversed losses of £200,000 into profits of £200,000. Sales fell from £117m to £94m.

The European division was hit by margin pressure in France and the Netherlands. Profits fell from £2.5m to £2.1m. Sales were £1.8m higher at £104.4m.

The dividend was 1.5p per share. Pro forma earnings were 1.5p. The group's shares, issued at 150p, closed in a declining market yesterday 2p down at 150p.

Further expansion in US for Williams

By Peggy Hollinger

Williams Holdings, the industrial conglomerate, yesterday announced its second US acquisition in three months with the \$80m (£34m) purchase of Forney International, a provider of burner management systems for power stations.

Williams is paying \$41m in cash for Texas-based Forney, and is taking on debt of \$39m. Forney's net assets after completion are estimated at \$12m.

Mr Nigel Rudd, Williams chairman, said the acquisition would reinforce the group's presence in the rapidly-growing third world market. "It is a real growth business," Mr Rudd said.

The acquisition was expected to be neither earnings dilutive, nor to be significantly enhancing in the current year.

Analysts said the purchase was slightly pricey, but made strategic sense. It follows hard on the heels of the acquisition of the Corbin & Renswick locks business to January for \$80m. There was substantial scope to increase margins, analysts said, which would bring substantial returns to 1995.

However, "the problem is that it is doing damage to the balance sheet," said Mr Richard Rae, conglomerates analyst at Raine & Co.

The broker estimates that after the goodwill write-off, Williams' gearing will rise from 60 per cent to more than 70.

The group is forecast to generate cash of £28m this year, which leaves year-end forecasts for gearing about 12 points higher than previously at 56 per cent.

Net assets rise at Thornton Asian

Net asset value per share at Thornton Asian Emerging Markets Investment Trust improved from 87.1p to 107.5p over the year to December 31.

Net earnings for the year was £886,000 (£232,000) for earnings per share of 0.88p (0.23p). A single final dividend of 0.5p (0.3p) is proposed.

City Airport losses coincided with problems in other activities

Mowlem to repair balance sheet

By Andrew Taylor, Construction Correspondent

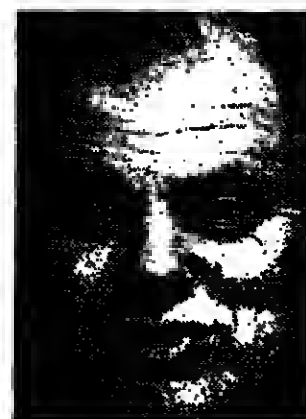
John Mowlem's problems with London City Airport emphasised the serious risks undertaken by construction companies investing large sums in expensive high profile privately financed infrastructure projects.

These can cause intense balance sheet problems for investors like Mowlem - which owns 90 per cent of London City Airport - if traffic fails to live up to expectations and they are faced with repaying large borrowings and funding operational costs from reduced income.

Government, bankers and construction industry executives are examining ways of attracting more private money to pay for large scale roads and railway investments such as the Channel tunnel rail link, might do well to heed Mowlem's experience.

The company's adventure in east London would have caused serious problems even if its main businesses of contracting and supply scaffolding and construction equipment had not gone into recession.

A £33m provision imposed in 1992 to cover losses at the airport ran out two years ago and last year the airport lost a further £4.8m. Sir Philip Beck, chairman, is convinced the investment will eventually come right. Passenger figures were in its business as UK construction output has fallen, he said, have been close to levels needed for break-even.



Sir Philip Beck: the airport investment will come right

The airport estimates it needs 500,000 passengers a year to break even compared with 245,000 last year, well below levels expected when it opened.

Mowlem has previously announced that it plans to sell the airport and says the rights issue will enable it to achieve a better price without being forced to make a "distressed sale".

Disposals during the past 18 months have raised about £100m. Even so Mowlem's net debt at end February was £76m and is heading for a peak of about £100m this year compared with shareholders' funds, before the rights, of £91m.

Its difficulties have been compounded by problems elsewhere in its business as UK construction output has fallen. The scaffold and access equip-

ment contracting hire and sale companies, in hindsight, entered the recession carrying too much excess fat.

This is evidenced by the surgery which Mr John Marshall, chief executive designate, has carried out in the last 18 months, reducing the division's workforce by more than a fifth and cutting overheads to the UK and continental Europe by more than £20m.

The division made a £200,000 pre-tax loss last year but to better times was capable of achieving pre-tax margins of 10 per cent on annual sales of more than £300m. With costs under control it should be able to achieve that again as construction markets improved, Mr Marshall said.

Capital expenditure, however, will need to increase. This has fallen from £40m to £150 (perhaps not the best time to have been spending large sums with the UK construction industry in recession) to just £14m last year.

Nonetheless, the group is starting to reap the benefit of previous cost reductions. Profits at SGB Youngman, the UK hire and sale business, have risen sharply recently.

UK building and civil engineering has generally been resilient, achieving profits of £11.5m on a turnover of £708m last year - an operating margin of 1.7 per cent, which compares favourably with other large UK contractors.

The division's performance, however, has been soured by difficulties over a couple of UK

power station and chemical plant contracts as well as minor problems in Germany and the US which means that after provisions the division made a \$2m trading loss.

Mr Marshall said a stronger balance sheet would make potential large customers feel more comfortable and enable the company to tender for a wider and more profitable range of work - particularly if it was not having to incessantly chase cash - with the aim of restoring margins to at least 2 per cent on a turnover of £1m.

On this basis the group, with better management controls and properly targeted capital expenditure should be capable of returning pre-tax profits of £40m, said Mr Marshall. He did not expect this target to be achieved, however, before 1996.

The extent to which some of Mowlem's wounds may have been self-inflicted may be gauged by the sweeping senior management changes which have occurred both at board and divisional level over the past 18 months.

The company had little choice but to renege with a rights chosen as the best solution after consultation with its institutional shareholders and bankers. The institutional shareholders are supporting the group by sub-underwriting the issue. Yesterday they seemed likely to get left with a sizeable tranche of shares. Their hope must be that the bottom has now been reached and things can only get better.

Dowding doubles to £3.34m

By Andrew Bolger

Dowding & Mills, the electrical and mechanical repair company, nearly doubled pre-tax profits from £1.7m to £3.34m in the six months to December 31.

Mr Peter Hollings, chairman, said the improved first-half results were mainly because of increased productivity and cost control rather than an overall increase in activity. Sales rose from £41.2m to £45m.

Earnings per share increased to 1.37p (0.61p). The interim dividend increased to 0.92p (0.52p). The group said that trading at the start of the second half had continued at a similar level to

the first, and if this trend continued then profits for the full year would be ahead of last year's £5.04m.

Mr Hollings said: "The decline in activity in the UK over each of the last three years has finally ceased and production has levelled out, whilst elsewhere in Europe business remains difficult with no signs of immediate improvement."

He added that the level of activity in American operations continued to be satisfactory.

Following a reduction last year, expenditure on plant and equipment had increased to £1.24m (£655,000), while gearing was maintained at 19.2 per cent.

Abbeycrest jumps 32% to £1.8m

By Reg Vaughan

Abbeycrest, the designer and manufacturer of gold and silver jewellery, yesterday announced pre-tax profits 32 per cent ahead to £1.8m for the year ended December 31, on turnover which rose by 17 per cent to £51.9m.

At this level the profit is still well below the record of £6.8m achieved in 1993.

The shares closed at 106p, down 6p.

Mr Michael Lever, chairman, said that progress was encouraging during the year and

despite flat conditions the group had increased its market share, with maintained operating margins.

He added that he was cautious about projecting current levels of business forward, but reported that turnover and order books were ahead of 1993 and that he expected further progress in the current year.

The chairman said that sales to the catalogue shops and home shopping sector increased significantly. The group now exports to 20 countries, and turnover in overseas

markets grew to £5.1m.

Earnings per share rose by 37 per cent from 3.8p to 5.2p while the dividend is maintained at 3.2p with a final of 2p.

Year end gearing went up from 7 per cent to 40 per cent. This reflected higher levels of activity in November and December and increased projections for the early part of 1994.

The group's year end is to be changed to February and the next accounting period will be for 14 months.

MJ Gleeson flat at £4.1m

By Paul Taylor

MJ Gleeson Group, the Surrey-based construction, housebuilding and property company, yesterday reported flat pre-tax profits of £4.1m for the six months to December 31, compared with £4.08m.

Turnover slipped to £79.6m (£80.2m), but operating profits increased by 6.5 per cent to £2.7m (£2.55m).

This improvement was partly offset by a decline in interest receipts to £336,000 (£554,000) while interest costs fell from £48,000 to £22,000.

Earnings per share were very slightly lower at 27.06p (27.09p) partly reflecting a marginally higher £1.3m (£1.35m) tax charge, and the interim dividend is maintained at 3.85p.

Despite a small increase in UK contracting turnover, the directors said the profits contribution from the construction operations was very modest and added that, "trading conditions in this sector seem likely to remain difficult for some time."

However, the group said the upturn in the housebuilding

market, which became apparent last year, has been sustained and the turnover of Gleeson Homes was significantly higher during the latest period than a year earlier.

Provided that house buyers' confidence is not adversely affected by the forthcoming increases in personal taxation or other factors, the directors said they expected to sell a record number of homes this year.

As a result they were "cautiously optimistic" that overall trading profits for the year would be satisfactory.

R H Lowe loss rises to £11.9m

Including £7.83m of goodwill from discontinued operations previously written off, Robert H Lowe, the sportswear, printing and packaging concern, showed pre-tax losses of £11.86m for the year ended November 5 1993, compared with £1.86m.

Turnover totalled £26.47m against £32.24m, which included £10.46m (£12.4m) from ongoing businesses. Operating profit was £1.15m (£1.3m). Shareholders' funds were £402,000 (£4.48m). Losses per share were 26.45p (£5.7p).

BOIRON

BOIRON 1993

Consolidated Profit and Loss Account (in FRF millions)

	1993	1992	%92/93
Turnover	1,225.9	1,038.1	+ 18.2%
Operating profit	126.8	112.4	+ 12.8%
Profit on ordinary activities	111.5	92.7	+ 20.0%
Net profit	53.9	(1) 48.3	+ 110.6%
Cash flow	105.0	(1) 94.6	+ 110.6%

(1) Including the exceptional net capital gain of FRF 20.3 million for the early cancellation of the Lovén-Purvis lease.

RESULTS

The net consolidated contribution of the subsidiaries amounted to FRF 7.5 million compared to FRF 3.8 million in 1992. This was due to the particularly strong growth in Italy.

The net equity of the Group is FRF 324.3 million and the net financial debt is FRF 66.9 million.

The accounts of the parent company have a turnover of FRF 970.6 million, an increase of 8.5% due to exports (37% growth), and a net profit of FRF 40.3 million, similar to the previous year exclusive of exceptional capital gains.

DIVIDEND AND BONUS ISSUE

The Board of Directors proposes a dividend of FRF 9.00 per share (FRF 13.50 per share including tax credit) payable on 1 July 1994.

In addition, the Board of Directors has decided to capitalise reserves and to increase the capital with a bonus issue of one new share for every four shares held as of 2 July 1994. These new shares to be effective from 1 January 1994.

The rights of the bondholders will be maintained by changing the basis of conversion from 1 to 1.25 with effect from 2 July 1994.

OUTLOOK FOR 1994

The international development is continuing, however the slowdown of growth of its activities in France leads the Group to be cautious in its forecast for the year.

For more information contact
4 RASANT or G VENET 33-72-30-41-63

BOIRON

171 rue de la Liberté F-69110 STE FOY-LES-LYON, FRANCE

The Shareholders of

SKANDIA INSURANCE COMPANY LTD.

are hereby invited to attend the Annual General Meeting to be held on Thursday 14th April, 1994 at 3 p.m. (Swedish time) in the Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

1. The Agenda will, amongst other matters, include the following ordinary items of business:

Election of a Chairman to preside over the Meeting

Verification of the voting list

Election of a person to check and sign the Minutes together with the Chairman

Decision as to whether the Meeting has been properly called

Presentation of the Annual Accounts and the Auditors' Report, as well as of the Consolidated Accounts and the Consolidated Auditors' Report

Adoption of the Profit and Loss Statement and the Balance Sheet, as well as the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet

Appropriations of the Company's profit according to the adopted Balance Sheet

Discharge from liability of the Directors and the Managing Director

Determination of the number of Directors and their Alternates who shall be elected at the Meeting

Election of the Directors and their Alternates

Determination of the number of Auditors and their Alternates

Election of the Auditors and their Alternates

Determination of the emoluments of the Directors and Auditors

2. Two special items of business concerning the Voting Rights Limitations Clause (§ 18) in the Company's Articles of Association will be dealt with:

a) A proposal put forward by the Board of Directors

That the present voting rights limitations ruling be replaced by a ruling whereby no one may vote in respect of own holdings, for more than 5 per cent of the total number of shares in the Company.

b) A proposal put forward by the Board of Directors

That the Meeting appoint a Committee to analyse and evaluate the question concerning the voting rights limitations, inter alia, in the light of on-going EU regulatory work. Recommendations concerning the composition of such a Committee are as follows: Sven Söderberg, Skandia's Chairman; Pirkko Alitalo, representative for Skandia's largest shareholder, Pohjola group; Tor Martin, AMF Pension, representative for the Swedish institutional owners; Nils

Erik Wirsall, representative for Skandia's shareholder association; and Clas Reuterskiöld, representative for Skandia's life assurance policyholders.

3. Furthermore, the Annual General Meeting will deal with another item of special business concerning approval of the decision passed by the Board of Directors on 23rd March, 1994, in respect of increasing the Company's share capital by a maximum of SEK 127,942,815, by way of an issue of a maximum of 25,588,563 new shares, each with a nominal value of SEK 5, principally on the basis of the following conditions:

The Company's shareholders shall have a preferential right to subscribe for new shares in accordance with provisions detailed below, whereby each unit of three old shares shall grant entitlement to subscription of one new share. Shareholders who are so entitled, may exercise their preferential right to subscribe for new shares during the period 26th April to 16th May, 1994. Subscription shall be implemented through simultaneous cash payment of SEK 110 for each new share. The preferential right to subscribe for new shares shall be granted to those shareholders whose country of residence does not apply regulations which pose legal impediments to such subscription. This means, inter alia, that shareholders resident in those countries which are included under the EEA Agreement, are permitted to participate in the issue. Moreover, such shareholders in the USA who hold the status of Qualified Institutional Buyers, as defined under the US Securities Act 1933, may be invited to subscribe for shares in accordance with the exceptions from obligation to register, Section 4.2, of the same Act. Those shareholders who may not, for reasons stated above, participate in the issue, shall, after the sale of the subscription rights corresponding to their respective holdings, receive compensation in cash amounting to the purchase price of said subscription rights. Such disposal will be handled by an entity especially appointed by the Board of Directors, which entity shall be granted subscription rights in respect of the issue corresponding to the holdings of such other shareholders.

The Record Date for determination of subscription rights or cash compensation for disposal of such rights, shall be Tuesday 19th April, 1994.

The Board of Directors' decision regarding the issue shall be available as of, and including, Thursday 7th April, 1994, at the Corporate Law Department, at the Company's head office located at Sveavägen 44, Stockholm, Sweden.

4. Finally, the proposal put forward by the Board of Directors to amend the Company's Articles of Association, as follows, shall also be dealt with:

a) Change in the Scope of Activities Clause (§ 2).

The proposed change constitutes an adjustment to the new regulations governing insurance classes as defined in the Insurance Business Act (1982:713), resulting from Sweden's

participation in the EEA Agreement.

b) Change in the Safekeeping of Securities Clause (§ 12).

The proposed change constitutes an adjustment to changes in the provisions of the Insurance Business Act concerning safekeeping of securities.

Closing.

Right to participate

TO BE ENTITLED to participate in the Annual General Meeting, shareholders must be recorded as shareholders in the Shareholders' Register issued by the Swedish Securities Register Centre (Värdpapcentralen VPC AB) as at Thursday 31st March, 1994.

and must

notify the Company of their intent to participate at the Annual General Meeting not later than 4 p.m. on Monday 11th April, 1994.

Notification of intent to participate at the Meeting should be made in writing to

Skandia Insurance Company Ltd, Corporate Law,
S-103 50 Stockholm, Sweden

or by telephone

Int +46-8-788 32 62 or +46-8-788 30 98

SHAREHOLDERS WHOSE SHARES are held in trust by a bank or private broker must register their shares in their own names to be able to participate at the Annual General Meeting. Such registration must be completed not later than Thursday 31st March, 1994. Shareholders are advised to notify the trustee without delay of their intent to register their shares.

A SHAREHOLDER MAY vote at the Annual General Meeting in person or by proxy. Such proxies shall be in writing, and shall be dated, and may not be older than one year. Shareholders wishing to vote by proxy should submit their forms of proxy to the Company. Forms of proxy may be obtained from the Company.

THE BOARD OF DIRECTORS proposes that a dividend of SEK 2.00 per share be paid to the shareholders. The Board has also decided to propose that the Record Date for the payment of dividends be Tuesday 19th April, 1994. Should these proposals be approved by the Annual General Meeting, it is anticipated that the dividend will be distributed by the Swedish Securities Register Centre on Tuesday 26th April, 1994.

Stockholm, Sweden, March 1994

The Board of Directors

SKANDIA INSURANCE COMPANY LTD.

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Skandia

COMMODITIES AND AGRICULTURE

Silver climbs to 4 1/4-year high

By Kenneth Gooding, Mining Correspondent

The US investment funds that are attempting to force up the silver price helped push it to 574.75 cents a troy ounce in London early yesterday, its highest point since November, 1989. The market failed, however, to breach the important technical level of \$575 an ounce and fell back to close in London at \$570.5, up 5 cents on the day.

Hedge funds, including the Quantum Fund operated by Mr George Soros, the high-profile financier and currency speculator who started the run-up in the gold price about this time last year, are rumoured to have spent US\$1bn to buy physical silver.

"There certainly does seem to be an investment programme under way in silver by some of the big US hedge funds," said Mr Ted Arnold, metals specialist at the Merrill Lynch financial services group, in his latest analysis of the market. "They are prepared, my informants say, to put in

another \$1bn. Their spot price objective, it is generally agreed, seems to be \$8 an ounce."

Mr Tony Warwick-Ching, analyst at the CRU International consultancy group, said the outlook for silver was certainly better than for gold, even to breach the important technical level of \$575 an ounce and fell back to close in London at \$570.5, up 5 cents on the day.

The US funds were attracted to silver partly by a big buying spree in India following liberalisation of import restrictions there last year - CRU estimates India imported 2,800 tonnes in 1993 compared with 800 tonnes the previous year. Mr Warwick-Ching pointed out that the Indian demand had dropped dramatically when the silver price reached \$5 an ounce, showing how price sensitive it was. "And today could start selling again," he warned. "India exported a great deal of silver when the price boomed in the early 1980s."

Private finance planned for Codelco

By David Pilling in Santiago

Non-core divisions of Codelco, Chile's state copper company, will be allowed to raise private finance and to form joint ventures if proposals put forward yesterday by Mr Juan Villarrú, Codelco's new president, are accepted.

Mr Villarrú said non-copper divisions, such as the \$300m Tocopilla power station, would be able to raise finance through flotation of shares or the issue of bonds. This would allow Codelco to concentrate on exploiting, refining and selling copper, he said.

To recovery efficiency, lost largely during the military regime, Codelco would need to increase its annual investment budget to \$400m-\$450m, to be spent primarily on the expansion of Andina and the start-up of Radomiro Tomic.

Mr Villarrú set targets for the year 2000, which he said were "tremendously demanding" but "achievable". These were: to cut output costs to 50 cents a pound from 68 cents; to raise productivity by 8 per cent a year to 80 tonnes of copper annually per worker; to halve the accident rate; and to spend 15 per cent of the annual budget on improving Codelco's

Opec expected to maintain output

By Robert Corzine in Geneva

The Organisation of Petroleum Exporting Countries meets in Geneva today to debate whether to cut production in the hope that it will lift prices. Market expectations are that the 12 oil ministers are most likely to simply roll over the 24.52m-barrels-a-day production ceiling agreed last September. This has been generally adhered to since it was set as part of an effort to curb Opec over-production, which drove down prices for much of last year.

The ceiling, however, proved to be too high in light of a surge in oil production from non-Opec countries, in particular from British and Norwegian fields in the North Sea. The added pressure sent prices

tumbling to five-year lows earlier this year.

In recent weeks severe winter weather in the US boosted demand and helped to underpin oil markets. But prices have struggled to rise above the \$13 to \$14 a barrel range for the benchmark Brent Blend North Sea crude.

The consequent financial pressure has caused even the wealthiest Opec states, such as Saudi Arabia and Kuwait, to rein in budgets. The impact on the poor and populous Opec members such as Iran and Nigeria has been such that some observers predict that their fragile political stability may be undermined unless oil revenues can be increased.

The roll-over option is unlikely to bring about any short-term relief for producers.

But it is supported by analysts who predict that demand for Opec oil is likely to grow later in the year. "They don't need to make any grand gestures," according to Dr Leonidas Drolas, economist at the London-based Centre for Global Energy Studies.

"Stocks are not that high and the call on Opec oil is roughly at current [production] levels."

An Iranian delegate yesterday indicated that a roll-over was not the favoured option. But analysts say Iran may be struggling to maintain current output. It might therefore welcome a cut in the ceiling rather than fight off claims by other members to any unused portion of its quota.

A small cut of 500,000 b/d or so would be unlikely to

impress the markets, however. "What is the point of a symbolic cut?" asks Mr Mehdi Vaziri, director of energy research at London brokers Kleinwort Benson. "If they cut, they have to make it convincing."

But Saudi Arabia, Opec's dominant producer, is known to object to any strategy that would result in non-Opec producers winning additional market share. It is also worried that a large cut would trigger renewed over-production by some members.

Opec efforts to involve independent producers in a co-ordinated cut have so far not borne fruit. But the possibility of some form of non-Opec co-ordination could be "the joker in the pack" at today's meeting, according to Mr Vaziri.

Ireland awards exploration licences

By Tim Coone in Dublin

Ten companies, grouped into five consortia, have been awarded petroleum exploration licences under Ireland's 1993 "frontier" licensing round.

The 16-year licences cover 39 of the 128 blocks in the Slyne and Erris Troughs lying some 70km off the west and north-west Ireland, and represent the first major offshore exploration effort in the Republic since the early 1980s.

The licence terms require some 5,000km of seismic and other geophysical testing to be carried out, followed by the drilling of exploration wells.

Eleven of the 28 blocks have been licensed to a consortium headed by Statoil (UK), a wholly-owned subsidiary of Statoil, the Norwegian state oil company.

In announcing the licence awards this week, Mr Noel Treacy, the Irish energy minister, said the response to the round had been "very encouraging and vindicates our recent efforts to promote offshore exploration, particularly the 1993 licensing terms and taxation measures."

These measures include a concessionary corporation tax rate of 25 per cent for companies producing oil and gas under licence.

The Slyne and Erris Troughs lie in water depths ranging from 200m to over 1,000m, and is a relatively unexplored area, having had only three exploratory wells drilled to date, although seismic surveys carried out in 1991 and 1992 suggested a "significant potential" for both oil and gas.

The current licensing round, covering 18 blocks in the Forcupine Basin off the west of Ireland, closes in December this year.

Existing gas reserves in Ireland, at the shallow Kinalea and Ballycotton fields, are expected to be exhausted shortly after the year 2000.

Ploughing up profits in Pakistan

Farhan Bokhari on the financial shenanigans of the 'tractor Mafia'

Mr Saeed Ahmed, a tractor dealer, points to a brand new Massey Ferguson tractor parked in his showroom, just outside Lahore-Pakistan's second largest city, and offers to sell it for 10 per cent less than the factory price. The only catch is that the tractor cannot be legally transferred to its new owner for another 8 years.

Where at Shadab Tractors, where a consignment has just been released from the factory after payment of loan money. Many buyers, however, have no intention of taking delivery. They prefer to sell on at a discount, knowing they can repay the loans at interest rates up to 10 per cent below commercial bank rates, or even default without worrying too much about banks calling in collateral.

Farmers who own at least five hectares of land are eligible for Agricultural Development Bank of Pakistan loans. But banks in general have few assets in recovering bad debts, largely because of a legal system which sometimes allows civil cases to drag on for

several years. Almost 30 per cent of the US\$100m Pakistani farmers spend each year on tractors come from on loans that eventually turn bad, senior ADBP officials acknowledge.

"There is almost a tractor Mafia out there," says a senior executive at Al-Ghazi, the Pakistani affiliate of Fiat. Mr S.A. Khan, General Manager of Fiat, which assembles Belarussian tractors, imported from Russia, explains: "Certain people buy the tractors and sell them in the open market to make money. Recovery [of loans] is a difficult exercise."

Such concerns have been getting wider attention since last summer, when the government of Mr Moen Qureshi, the former prime minister, began a campaign to recover loans. That campaign began because the credit system, set up initially to help poor and middle income farmers to mechanise their farms and increase productivity, was in danger of collapsing. But the five-month old government of Mr Benazir Bhutto has shown little enthusiasm for following up Mr Qureshi's initiative.

Some ADBP officials warn against aggressive measures to recover loans. "We know that we are only able to recover up to 70 per cent loans. But then, taking tough action against farmers is also politically sensitive. There would eventually be an uproar in the parliament," says one. Others complain that the tractor business has increasingly become a form of patronage by politicians in successive Pakistani governments, who have tried to appease constituents through supporting the sanction of such loans.

Mr Nawaz Sharif, the former Prime Minister, who stepped down in July, last year, announced a "yellow tractor scheme", designed to charge a 10 per cent down-payment on front wheel recovering the rest in easy installments from farmers. The scheme, which could have created another financial nightmare, was abandoned by the new government, when officials argued that it was only meant to attract voters during the election campaign rather than becoming the basis

for improving crop output. Some other businessmen acknowledge that the procedures involving the disbursement and recovery of tractor loans ought to be tightened, but also argue that farmers must be encouraged to use their tractors more efficiently as a step towards improving agricultural output.

"People who have got tractors are not fully utilising them. They are not using the right kinds of implements," says Mr Sikandar Khan, Chairman of Millat Tractors, referring to the argument by many experts that Pakistani farmers have yet fully to appreciate the possibilities of tractors, rather than using them only for tillage and towing trolleys.

"The yield per acre in Pakistan is one of the lowest in the world. It is farm mechanisation that is going to pick us out of that."

Tractor loans could well be central to political concerns in rural constituencies, but it remains unclear whether the government can continue to subsidise sales through this discredited system.

MARKET REPORT

Coffee ignores retention cut

The London Commodity Exchange COFFEES futures market shrugged off confirmation yesterday morning that the recent rise in prices had triggered the halving to 10 per cent of the amount of exports producing countries are obliged under their retention scheme to withhold from the market. And in the afternoon it kept its head in the face of a decidedly shaky New York market.

At the close the May position stood at \$1,360 a tonne, \$8 below the peak reached earlier but still \$13 up on the day.

At the London Metal Exchange an expected break below support levels in the COPPER and ALUMINIUM markets did not materialise as late bouts of short-covering in

the afternoon mingled with trade and commission house buying to stem early losses. Dealers said both markets were under pressure from the outset, although solid underlying chart patterns remained supportive.

Three months delivery copper spent most of the day probing below the \$1,940 support level but as the selling pressure lifted slightly prices moved higher.

LME stocks and deteriorating charts continued to erode ZINC's recent gains, while LEAD prices eased further, with traders suggesting that a test of underlying support at \$450 a tonne was likely to be made soon.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM, 99.7 PURITY (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	1301.2	1306.7			
High/Low	1313.4	1309.6			
AM Official	1294.6	1310.9/1318			
Kerb close		1324.4			
Open int.	269,049				
Total daily turnover	45,768				

ALUMINIUM ALLOY (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	1270.90	1285.7			
High/Low	1265.70	1285.90			
AM Official	1264.5	1285.9/1285			
Kerb close		1285.5			
Open int.	4,580				
Total daily turnover	623				

LEAD (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	451.2	465.6			
High/Low	460.1	474.5			
AM Official	450.0	474.4/482			
Kerb close		464.5/5.0			
Open int.	35,567				
Total daily turnover	1,170				

NICKEL (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	5685.85	5750.00			
High/Low	5680.70	5775.00			
AM Official	5680.70	5775.00/5770			
Kerb close		5730.32			
Open int.	51,004				
Total daily turnover	10,001				

TIN (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	5460.00	5500.10			
High/Low	5470.80	5520.30			
AM Official	5470.25	5520.30			
Kerb close		5490.500			
Open int.	19,542				
Total daily turnover	3,327				

ZINC, special high grade (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	942.3	962.3			
High/Low	951.2	971.2			
AM Official	936.9	963.9/57			
Kerb close		959.1			
Open int.	109,938				
Total daily turnover	959.1				

COPPER, grade A (5 per tonne)

	Close	High	Low	Open	Vol.
Previous	1938.5-5.5	1941.2			
High/Low	1948.5-5.5	1958.9			
AM Official	1947.2	1948.9/1336			
Kerb close		1958.5-7.5			
Open int.	212,864				
Total daily turnover	57,877				

LME ALUMINIUM D25 roller, 14,954

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME LEAD D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME ZINC D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME NICKEL D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME COBALT D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME MANGANESE D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME SILICA D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME TUNGSTEN D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME MOLYBDENUM D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	1500.0			
AM Official	1494.0	1500.0			
Kerb close		1500.0			
Open int.	212,864				
Total daily turnover	57,877				

LME CADMIUM D25 roller, 1,495

	Close	High	Low	Open	Vol.
Previous	1494.0	1500.0			
High/Low	1494.0	150			

LONDON STOCK EXCHANGE

MARKET REPORT

Bond weakness returns and hits share prices

By Terry Byland,
UK Stock Market Editor

UK stocks suffered a further setback yesterday as European and US securities markets continued to grapple with the uncertain interest rate outlook. British government bonds fell heavily after sterling weakened against the German mark, and although London stocks bounced back from the day's lows, the closing picture was darkened by a 50-point fall in early dealings on Wall Street as more US banks raised prime rates.

The session opened fairly calmly, with European markets at first taking a favourable view of a sharp rise in February M3 money supply in Germany. Later, however, optimism on the German money data changed and doubts were cast over

the Bundesbank's chances of cutting its discount rate.

Equities were overshadowed from the opening by news of a \$651m rights issue from Allied Lyons to help fund its purchase of Pedro Domecq, the Spanish drinks group. Shares in Allied fell heavily, and the Footsie index was also hit by a sharp setback in Wellcome after the interim trading statement was received badly by City analysts.

Interest rate optimism continued to recede in London as investors digested the implications of the Retail Price Index news of the previous day. However, not all analysts were bearish; several leading brokers remained confident that base rates will be cut next month and urged fund managers to see the present shakeout in equities as a buying opportunity.

Account Dealing Dates			
First Dealing	Mar 28	Apr 11	
Second Dealing	Mar 29	Apr 12	
Third Dealing	Mar 30	Apr 13	
Fourth Dealing	Mar 31	Apr 14	
Fifth Dealing	Apr 1	Apr 15	
Sixth Dealing	Apr 2	Apr 16	
Seventh Dealing	Apr 3	Apr 17	
Eighth Dealing	Apr 4	Apr 18	
Ninth Dealing	Apr 5	Apr 19	
Tenth Dealing	Apr 6	Apr 20	

The fall in the Footsie was held to around 20 points until the second half of the session when losses in government bonds were extended to nearly two full points at the longer end. The Footsie dropped to 3,111.8, a net loss of 43.5, as pressure from stock index futures cut into the blue chip stocks.

Although bonds remained depressed, the stock market rallied, helped by encouraging post-recess

meetings with analysts at Sun Alliance and P. & O. Once again, the stock market escaped heavy selling, and it was the futures markets which took the brunt.

The final reading showed the FT-SE index at 3,121.7, with the day's fall reduced to 33.6 points. Traders again pointed out that the Footsie lacks a support level above the 3,000 area and is vulnerable to any selling pressure. Some institutional selling was reported yesterday but the day's sea of total 703.5m shares compared with 714.5m in the previous session. On Wednesday, retail, or customer business was worth \$1.79bn, well up to the best daily average levels of the past twelve months. Institutions tend to make their immediate move in the futures markets, and trade the individual stocks when market

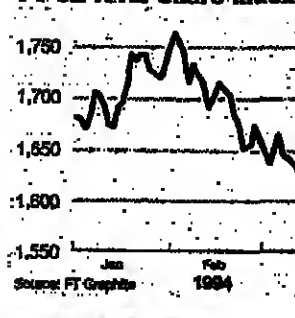
prices are suitable.

Some comfort was taken from the market's ability to rally, and also to show some resistance to the slide in the UK bond market. Analysts pointed to the steady flow of increased dividend payments from British companies, which was described as the more positive side to the pressures from economic recovery which are upsetting fixed interest markets.

The clear signs of dividend and earnings recovery now coming through in UK company results was put forward as the argument for buying equities at a time when the bond market has become a high risk arena.

However, the markets this morning faces the March report on business trends from the Confederation of British Industries.

FT-SE ALL-SHARE INDEX

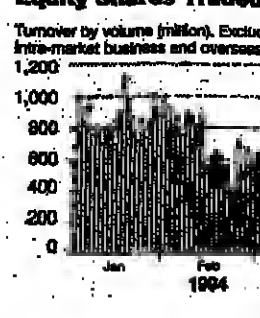


Key Indicators

Indicator	Value	% Chg
FT-SE 100	3121.7	-33.6
FT-SE 100 Dividend	3795.7	-29.5
FT-SE 100 P/E	1588.3	-18.0
FT-SE 100 Yield	1581.44	-15.78
FT-SE 100 All-Share Yield	3.66	(3.62)

Best performing sectors	
1 Insurance	10.2%
2 Breweries	9.8%
3 Extractive Inds	8.5%
4 Transport	7.9%
5 Distributors	7.1%

Equity Shares Traded



FT Ordinary Index	248
FT-SE-A Non Fins p/e	21.
FT-SE100 Fut Jun	3125
10 yr Gilt yield	7.
Long gilt/equity yld ratio:	2.

Wellcome hit by R&D fears

Shock news over its research and development programme took away potential shine off Wellcome's interim figures and saw the shares slide 51 to 560p the biggest drop in the Footsie, on turnover of 12m.

The fall continues a depressing trend for the hard hit pharmaceutical group - last year's interim figures were accompa-

nied by a 72-point tumble from just under 900p. It also reinforces the gloom for investors who paid around 800p-a-share for the 200m share stake sold by Wellcome Trust more than 18 months ago.

Wellcome's profits were within the range of analysts' estimates, but sales growth was significantly lower than most had anticipated. This was accompanied by news that the company had withdrawn a new anti-shingles treatment at a time when Zovirax, its head-line anti-viral treatment, is coming under increasing competitive pressure.

The results may have been

hoped for by the bears but supporters such as Lehman Brothers were clearly disappointed. Analysts M. J. Walton of the US house argued that Wellcome still offered the best value in the sector, but conceded that "The risks throughout the whole pharmaceutical sector are extremely high."

She shaved her full-year forecast by £20m to £700m after exceptional. The surprise £700m takeover by Allied Lyons of Spanish spirits group Pedro Domecq won plaudits from across the market, although the accompanying profits forecast proved

disappointing. Allied suggested its profits for this year will come in at £60m, whereas analysts had been expecting in the region of £82m. This was the chief factor in pulling down the shares, which tumbled 44 to 561p.

There was also some concern at the deep discount of the £1.2 for 1.25 rights issue priced at 48p.

The deal will catapult Allied from fifth to second in the spirits league table and give it critical mass in the lucrative Spanish and Latin American spirit markets. Mr David Thompson at Kleinwort Benson said: "This gives Allied a strong position in some of the

best markets." Mr Geoff Collyer at NatWest Securities said: "This is an outstanding deal. Domecq has been one of the best performing spirits businesses of the last five years."

Allied's lower than expected profit forecast hit other spirits groups, with Grand Metropolitan sliding 10% to 450p and Guinness 15 to 47p.

Better-than-expected preliminary results and a highly successful post-results meeting with insurance analysts saw Sun Alliance shares record the best individual performance in the FT-SE 100 index.

Sun Alliance shares closed a net 12 higher at 326p, after touching a session-best of 337p on exceptionally heavy turnover of 8.4m, the highest since December 1992.

Mr Youssef Zia, insurance analyst at Morgan Stanley, said he was preparing to upgrade his current year forecast for Sun Alliance and reiterated his buy recommendation on the shares.

Shares in tobacco and insurance conglomerate BAT Industries failed to respond to a 25 per cent dividend hike and closed 5 lower at 454p. The conglomerate is the first UK company to take advantage of legislation going through parliament and declare that its final dividend is the result of foreign income and so not liable to advance corporation tax (ACT). The hike means that funds such as pension funds which are allowed to reclaim ACT will not lose out while straightforward investment

The shock of a 563m rights issue, the passing of the final dividend and heavy losses for the year triggered a massive mark-down in shares of John Mowlem, the construction group.

Marketmakers chopped their opening price for the stock to 120p, attempting to stave off any avalanche of selling but nevertheless encountered a flurry of sellers who drove the price close 40 lower at 112p.

There was talk that Great Universal Stores (GUS) had settled a problem with the inland revenue over a plan to buy some of its shares back. The story, unconfirmed by the company, was first heard following its share restructuring late last year. GUS, which has over 51bn in cash, saw its shares climb to 574p.

Anticipated good results from Morrison (Wm), the northern supermarket group, saw the shares edge up 3 to 120p. Results from Booker, which saw better than expected cash generation, helped the shares gain 18 to 429p. Allied Lyons' rights issue reminded the market of one of its perennial favourites Cadbury Schweppes and the shares slid back 14 to 473p.

A buy note from Credit Lyonnais Laing helped Granada gain 3 to 545p.

Transport and construction group P&O was one of the best FT-SE 100 performing stocks after analysis upgraded profit forecasts following better than expected full-year figures. The shares jumped 27 to 685p, UBS turned buyer and raised its

current year estimate by \$40m to \$230m.

Equipment and services group APV slipped 7 to 121p, after reporting a fall in profits.

A two-way pull in business services group BRT brought volume of 12m by the close, making it the day's most actively traded stock. The shares edged a penny to 128p. The company has been seeing analysts this week before going into closed season.

United Newspapers rose 5 to 641p after announcing figures at the top end of the range of analysts' forecasts.

The day's two new issues both made respectable debuts, considering the big losses across the market and the big tumble, around 6 per cent, the market has suffered since the

Computer services solution group MDIS opened a couple of pennies below the issue price, but held up well, eventually ending the session at 257p after turnover of 5.6m shares.

Brightstone Properties, placed in the market at 128p, ended the day at 128p, albeit in thin trading of 223,000 shares.

There were, however, widespread fears that the flotation of Beazer Homes, lived off by the Hanson group, could see the shares open at a discount to the 185p issue price.

MARKET REPORTERS:
Christopher Price,
Joel Kibaco, Peter John,
Steve Thompson

Other statistics, Page 24

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures were led lower by the sharp retreat in gilts, and fears of another fall today were heightened by a slide in the June futures

FT-SE 100 INDEX FUTURES (LIFE) 25¢ per full index point (AP)			
Open	Sett	Change	High
Jun 1994	3150.0	-25.0	3140.0
Jun 1995	3142.0	-20.0	3130.0
Jun 1996	3135.0	-20.0	3125.0

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TRADING VOLUME

Major Stocks yesterday

Stock	Vol	Clng	Day's
ASDA Group	1,100	470	-1
Alcatel	1,100	470	-1
Alcatel	1,100	470	-1
Alcatel	1,100	470	-1
Alcatel	1,100	470	-1

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Alcatel	1,100	470	-1
Alcatel	1,100	470	-1
Alcatel	1,100	470	-1

in the Life mid-250, June	Bridal Steel†	6,800	140.4	+1
ended at 3,770 on favourable	Shen	3,400	188	+0
volume of 632 contracts.	Burns Gas†	258	483	+2
	Burns	1,000	100	+0
in Life-traded options; total	Cable & Wire†	4,000	424	+4
volume slipped back to	Cadbury Schweppes†	4,000	473	+4
1,700. The FT-SE 100	Calor Group	58	263	-1
	Glaxo†	1,400	389	+0
	Crown Cement†	1,700	301	+0
	ICI	2,000	230	+0

TRANSPORT Cont.

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AUTHORISED UNIT TRUSTS

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13.01	1.16
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12.98	1.14
12.97	1.13
12.96	1.12
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12.94	1.10
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12.88	1.04
12.87	1.03
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8.06	0.00
8.05	0.00
8.04	0.00
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7.99	0.00
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7.96	0.00
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7.55	0.00
7.54	0.00

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Company	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037	2037-2038	2038-2039	2039-2040	2040-2041	2041-2042	2042-2043	2043-2044	2044-2045	2045-2046	2046-2047	2047-2048	2048-2049	2049-2050	2050-2051	2051-2052	2052-2053	2053-2054	2054-2055	2055-2056	2056-2057	2057-2058	2058-2059	2059-2060	2060-2061	2061-2062	2062-2063	2063-2064	2064-2065	2065-2066	2066-2067	2067-2068	2068-2069	2069-2070	2070-2071	2071-2072	2072-2073	2073-2074	2074-2075	2075-2076	2076-2077	2077-2078	2078-2079	2079-2080	2080-2081	2081-2082	2082-2083	2083-2084	2084-2085	2085-2086	2086-2087	2087-2088	2088-2089	2089-2090	2090-2091	2091-2092	2092-2093	2093-2094	2094-2095	2095-2096	2096-2097	2097-2098	2098-2099	2099-2100	2100-2101	2101-2102	2102-2103	2103-2104	2104-2105	2105-2106	2106-2107	2107-2108	2108-2109	2109-2110	2110-2111	2111-2112	2112-2113	2113-2114	2114-2115	2115-2116	2116-2117	2117-2118	2118-2119	2119-2120	2120-2121	2121-2122	2122-2123	2123-2124	2124-2125	2125-2126	2126-2127	2127-2128	2128-2129	2129-2130	2130-2131	2131-2132	2132-2133	2133-2134	2134-2135	2135-2136	2136-2137	2137-2138	2138-2139	2139-2140	2140-2141	2141-2142	2142-2143	2143-2144	2144-2145	2145-2146	2146-2147	2147-2148	2148-2149	2149-2150	2150-2151	2151-2152	2152-2153	2153-2154	2154-2155	2155-2156	2156-2157	2157-2158	2158-2159	2159-2160	2160-2161	2161-2162	2162-2163	2163-2164	2164-2165	2165-2166	2166-2167	2167-2168	2168-2169	2169-2170	2170-2171	2171-2172	2172-2173	2173-2174	2174-2175	2175-2176	2176-2177	2177-2178	2178-2179	2179-2180	2180-2181	2181-2182	2182-2183	2183-2184	2184-2185	2185-2186	2186-2187	2187-2188	2188-2189	2189-2190	2190-2191	2191-2192	2192-2193	2193-2194	2194-2195	2195-2196	2196-2197	2197-2198	2198-2199	2199-2200	2200-2201	2201-2202	2202-2203	2203-2204	2204-2205	2205-2206	2206-2207	2207-2208	2208-2209	2209-2210	2210-2211	2211-2212	2212-2213	2213-2214	2214-2215	2215-2216	2216-2217	2217-2218	2218-2219	2219-2220	2220-2221	2221-2222	2222-2223	2223-2224	2224-2225	2225-2226	2226-2227	2227-2228	2228-2229	2229-2230	2230-2231	2231-2232	2232-2233	2233-2234	2234-2235	2235-2236	2236-2237	2237-2238	2238-2239	2239-2240	2240-2241	2241-2242	2242-2243	2243-2244	2244-2245	2245-2246	2246-2247	2247-2248	2248-2249	2249-2250	2250-2251	2251-2252	2252-2253	2253-2254	2254-2255	2255-2256	2256-2257	2257-2258	2258-2259	2259-2260	2260-2261	2261-2262	2262-2263	2263-2264	2264-2265	2265-2266	2266-2267	2267-2268	2268-2269</
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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative expenses. The charge is included in the price of each unit.

REDEMPTION: Price. Also called take-back price. The price at which units are bought by investors.

UNIT PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum price at which units can be sold back. The offer and unit price is determined by a formula set aside by the government. In the case of the first offering, the price is set at 100% of the initial offering price. As a result, the bid price is the same as the offering price. In subsequent offerings, the bid price might be below the cancellation price. The cancellation price is the maximum price at which the units can be sold back. It is a large cushion of value of units over buyers.

UNIT PRICE: The figure displayed for the bid. Investors' names in the first of the unit's first sale. Unit price usually neither rises nor is reduced in the period following the first sale. The unit price, the symbols are as follows: (P) - 1971 to 1974; (S) - 1975 to 1976; (M) - 1977 to 1978; (L) - 1979 to 1980; (N) - 1981 to 1982; (O) - 1983 to 1984; (P) - 1985 to 1986; (Q) - 1987 to 1988; (R) - 1989 to 1990; (S) - 1991 to 1992; (T) - 1993 to 1994; (U) - 1995 to 1996; (V) - 1997 to 1998; (W) - 1999 to 2000; (X) - 2001 to 2002; (Y) - 2003 to 2004; (Z) - 2005 to 2006; (AA) - 2007 to 2008; (AB) - 2009 to 2010; (AC) - 2011 to 2012; (AD) - 2013 to 2014; (AE) - 2015 to 2016; (AF) - 2017 to 2018; (AG) - 2019 to 2020; (AH) - 2021 to 2022; (AI) - 2023 to 2024; (AJ) - 2025 to 2026; (AK) - 2027 to 2028; (AL) - 2029 to 2030; (AM) - 2031 to 2032; (AN) - 2033 to 2034; (AO) - 2035 to 2036; (AP) - 2037 to 2038; (AQ) - 2039 to 2040; (AR) - 2041 to 2042; (AS) - 2043 to 2044; (AT) - 2045 to 2046; (AU) - 2047 to 2048; (AV) - 2049 to 2050; (AW) - 2051 to 2052; (AX) - 2053 to 2054; (AY) - 2055 to 2056; (AZ) - 2057 to 2058; (BA) - 2059 to 2060; (BB) - 2061 to 2062; (BC) - 2063 to 2064; (BD) - 2065 to 2066; (BE) - 2067 to 2068; (BF) - 2069 to 2070; (BG) - 2071 to 2072; (BH) - 2073 to 2074; (BI) - 2075 to 2076; (BJ) - 2077 to 2078; (BK) - 2079 to 2080; (BL) - 2081 to 2082; (BM) - 2083 to 2084; (BN) - 2085 to 2086; (BO) - 2087 to 2088; (BP) - 2089 to 2090; (BQ) - 2091 to 2092; (BR) - 2093 to 2094; (BS) - 2095 to 2096; (BT) - 2097 to 2098; (BU) - 2099 to 2100; (BV) - 2101 to 2102; (BW) - 2103 to 2104; (BX) - 2105 to 2106; (BY) - 2107 to 2108; (BZ) - 2109 to 2110; (CA) - 2111 to 2112; (CB) - 2113 to 2114; (CC) - 2115 to 2116; (CD) - 2117 to 2118; (CE) - 2119 to 2120; (CF) - 2121 to 2122; (CG) - 2123 to 2124; (CH) - 2125 to 2126; (CI) - 2127 to 2128; (CJ) - 2129 to 2130; (CK) - 2131 to 2132; (CL) - 2133 to 2134; (CM) - 2135 to 2136; (CN) - 2137 to 2138; (CO) - 2139 to 2140; (CP) - 2141 to 2142; (CQ) - 2143 to 2144; (CR) - 2145 to 2146; (CS) - 2147 to 2148; (CT) - 2149 to 2150; (CU) - 2151 to 2152; (CV) - 2153 to 2154; (CW) - 2155 to 2156; (CX) - 2157 to 2158; (CY) - 2159 to 2160; (CZ) - 2161 to 2162; (DA) - 2163 to 2164; (DB) - 2165 to 2166; (DC) - 2167 to 2168; (DD) - 2169 to 2170; (DE) - 2171 to 2172; (DF) - 2173 to 2174; (DG) - 2175 to 2176; (DH) - 2177 to 2178; (DI) - 2179 to 2180; (DJ) - 2181 to 2182; (DK) - 2183 to 2184; (DL) - 2185 to 2186; (DM) - 2187 to 2188; (DN) - 2189 to 2190; (DO) - 2191 to 2192; (DP) - 2193 to 2194; (DQ) - 2195 to 2196; (DR) - 2197 to 2198; (DS) - 2199 to 2200; (DT) - 2201 to 2202; (DU) - 2203 to 2204; (DV) - 2205 to 2206; (DW) - 2207 to 2208; (DX) - 2209 to 2210; (DY) - 2211 to 2212; (DZ) - 2213 to 2214; (EA) - 2215 to 2216; (EB) - 2217 to 2218; (EC) - 2219 to 2220; (ED) - 2221 to 2222; (EE) - 2223 to 2224; (EF) - 2225 to 2226; (EG) - 2227 to 2228; (EH) - 2229 to 2230; (EI) - 2231 to 2232; (EJ) - 2233 to 2234; (EK) - 2235 to 2236; (EL) - 2237 to 2238; (EM) - 2239 to 2240; (EN) - 2241 to 2242; (EO) - 2243 to 2244; (EP) - 2245 to 2246; (EQ) - 2247 to 2248; (ER) - 2249 to 2250; (ES) - 2251 to 2252; (ET) - 2253 to 2254; (EU) - 2255 to 2256; (EV) - 2257 to 2258; (EW) - 2259 to 2260; (EX) - 2261 to 2262; (EY) - 2263 to 2264; (EZ) - 2265 to 2266; (FA) - 2267 to 2268; (FB) - 2269 to 2270; (FC) - 2271 to 2272; (FD) - 2273 to 2274; (FE) - 2275 to 2276; (FF) - 2277 to 2278; (FG) - 2279 to 2280; (FH) - 2281 to 2282; (FI) - 2283 to 2284; (FJ) - 2285 to 2286; (FK) - 2287 to 2288; (FL) - 2289 to 2290; (FM) - 2291 to 2292; (FN) - 2293 to 2294; (FO) - 2295 to 2296; (FP) - 2297 to 2298; (FQ) - 2299 to 2300; (FR) - 2301 to 2302; (FS) - 2303 to 2304; (FT) - 2305 to 2306; (FU) - 2307 to 2308; (FV) - 2309 to 2310; (FW) - 2311 to 2312; (FX) - 2313 to 2314; (FY) - 2315 to 2316; (FZ) - 2317 to 2318; (GA) - 2319 to 2320; (GB) - 2321 to 2322; (GC) - 2323 to 2324; (GD) - 2325 to 2326; (GE) - 2327 to 2328; (GF) - 2329 to 2330; (GG) - 2331 to 2332; (GH) - 2333 to 2334; (GI) - 2335 to 2336; (GJ) - 2337 to 2338; (GK) - 2339 to 2340; (GL) - 2341 to 2342; (GM) - 2343 to 2344; (GN) - 2345 to 2346; (GO) - 2347 to 2348; (GP) - 2349 to 2350; (GQ) - 2351 to 2352; (GR) - 2353 to 2354; (GS) - 2355 to 2356; (GT) - 2357 to 2358; (GU) - 2359 to 2360; (GV) - 2361 to 2362; (GW) - 2363 to 2364; (GX) - 2365 to 2366; (GY) - 2367 to 2368; (GZ) - 2369 to 2370; (HA) - 2371 to 2372; (HB) - 2373 to 2374; (HC) - 2375 to 2376; (HD) - 2377 to 2378; (HE) - 2379 to 2380; (HF) - 2381 to 2382; (HG) - 2383 to 2384; (HH) - 2385 to 2386; (HI) - 2387 to 2388; (HJ) - 2389 to 2390; (HK) - 2391 to 2392; (HL) - 2393 to 2394; (HM) - 2395 to 2396; (HN) - 2397 to 2398; (HO) - 2399 to 2400; (HP) - 2401 to 2402; (HQ) - 2403 to 2404; (HR) - 2405 to 2406; (HS) - 2407 to 2408; (HT) - 2409 to 2410; (HU) - 2411 to 2412; (HV) - 2413 to 2414; (HW) - 2415 to 2416; (HX) - 2417 to 2418; (HY) - 2419 to 2420; (HZ) - 2421 to 2422; (IA) - 2423 to 2424; (IB) - 2425 to 2426; (IC) - 2427 to 2428; (ID) - 2429 to 2430; (IE) - 2431 to 2432; (IF) - 2433 to 2434; (IG) - 2435 to 2436; (IH) - 2437 to 2438; (II) - 2439 to 2440; (IJ) - 2441 to 2442; (IK) - 2443 to 2444; (IL) - 2445 to 2446; (IM) - 2447 to 24

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WORLD STOCK MARKETS

EUROPE									
Stock	High	Low	Open	Close	Change	Vol	High	Low	Open
AUSTRIA (Mar 24 / Fri)									
ATX	1,100.00	1,090.00	1,095.00	1,095.00	-10.00	1,100.00	1,100.00	1,090.00	1,095.00
BELGIUM (Mar 24 / Fri)									
BEI	3,500.00	3,450.00	3,450.00	3,450.00	-50.00	3,500.00	3,500.00	3,450.00	3,450.00
FRANCE (Mar 24 / Fri)									
CAC	3,500.00	3,450.00	3,450.00	3,450.00	-50.00	3,500.00	3,500.00	3,450.00	3,450.00
GERMANY (Mar 24 / Fri)									
DAX	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
NETHERLANDS (Mar 24 / Fri)									
AEX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
SPAIN (Mar 24 / Fri)									
IBEX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
SWITZERLAND (Mar 24 / Fri)									
SIX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
UNITED KINGDOM (Mar 24 / Fri)									
FTSE	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
EUROPEAN STOCKS									
Stock	High	Low	Open	Close	Change	Vol	High	Low	Open
AFRICA									
SOUTH AFRICA (Mar 24 / Fri)									
ALSI	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
NORTH AMERICA									
CANADA									
TSX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
UNITED STATES									
DOW	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
ASIA									
HONG KONG (Mar 24 / Fri)									
HSE	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
JAPAN									
Nikkei	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
AUSTRALIA									
ASX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00

INDICES									
Index	High	Low	Open	Close	Change	Vol	High	Low	Open
EUROPEAN STOCKS									
ATX	1,100.00	1,090.00	1,095.00	1,095.00	-10.00	1,100.00	1,100.00	1,090.00	1,095.00
BEI	3,500.00	3,450.00	3,450.00	3,450.00	-50.00	3,500.00	3,500.00	3,450.00	3,450.00
CAC	3,500.00	3,450.00	3,450.00	3,450.00	-50.00	3,500.00	3,500.00	3,450.00	3,450.00
DAX	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
AEX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
IBEX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
SIX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
FTSE	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
AFRICA									
SOUTH AFRICA (Mar 24 / Fri)									
ALSI	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
NORTH AMERICA									
CANADA									
TSX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
UNITED STATES									
DOW	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
ASIA									
HONG KONG (Mar 24 / Fri)									
HSE	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00
JAPAN									
Nikkei	2,500.00	2,450.00	2,450.00	2,450.00	-50.00	2,500.00	2,500.00	2,450.00	2,450.00
AUSTRALIA									
ASX	1,500.00	1,450.00	1,450.00	1,450.00	-50.00	1,500.00	1,500.00	1,450.00	1,450.00

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8:45 pm March 24

FINANCIAL TIMES FRIDAY MARCH 25 1994

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Samsung Laser Disc Player

Dual 1 Bit 4 Times Oversampling Digital Filter

SAMSUNG ELECTRONICS

Continued on next page

AMERICA

Dow sharply lower on weakness in bonds

Wall Street

US stocks went into a tailspin as political turmoil in Mexico, and renewed uneasiness over interest rates rattled investors, writes Frank McGurty in New York.

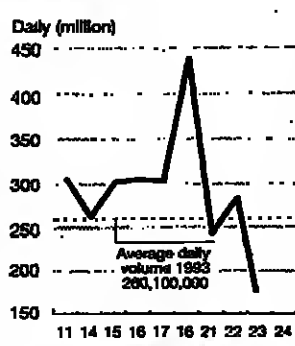
By 1 pm, the Dow Jones Industrial Average was 55.28 lower at 3,814.15. The move beyond the 50-point decline mark during the morning triggered the NYSE's "uptick" rule, which places restrictions on program selling.

The more broadly based Standard & Poor's 500 was down 4.89 at 463.65. Volume on the NYSE was moderate, with 183m shares traded by 1 pm, but declining issues overwhelmed advances by 1,780 to 382.

In the secondary markets, the American SE composite dropped 3.98 to 469.40, while the Nasdaq composite lost 13.59, or 1.7 per cent, to 783.92.

Bond prices fell sharply as dealers sold off their Treasury holdings as a hedge against further declines in the Brady bond market for emerging market debt. The action came in the wake of the assassination of the leading candidate for the Mexican presidency the previous evening. By midday, yields on the benchmark 30-year government bond were again approaching the 7.00 per cent

NYSE volume



barrier, rattling investors in both markets.

The lingering rate worries were brought into sharp focus with the decision late on Wednesday by leading US commercial banks to lift their prime lending rates a quarter of a percentage point to 6.25 per cent. The higher rate will only modestly increase the cost of borrowing for businesses, but more importantly, the move reinforced the impression that a period of easy money, which has fuelled the economy's recent recovery, would sooner or later come to an end.

As result, cyclical stocks, which generally benefit from global economic findings, suffered severe setbacks. Caterpillar plunged 3/4 to \$116.75, Interna-

tional Paper shed 1/4 to \$69.4 and DuPont was marked down 1/4 to \$56.4.

Automobile and oil issues showed marked weakness. General Motors lost 3/4 to \$58, Ford backtracked 3/4 to \$60.4 and Chrysler 3/4 to \$56.7.

Banks, which sought to protect their profit margins by lifting their prime rates, held up relatively well amid the general downturn. Citibank dipped 3/4 to \$37.4 and Chase Manhattan 3/4 to \$32.4.

Not surprisingly, American depositary receipts of Mexican companies were hammered. Telefonos de Mexico was 3/4 lower at \$6.4 in heavy volume of nearly 6.6m shares.

Investors had little enthusiasm for International Business Machines ahead of an afternoon briefing, during which its chairman was expected to unveil his turnaround strategy for the company. The stock sagged 1/4 to \$56.

Canada

Toronto stocks fell on profit-taking and the Wall Street tumble after Wednesday's record high, the TSE 300 composite index losing 44.23 to 4565.70 at midday.

Turnover was C\$681.3m. Only precious metals bucked the downturn, with the sub-index up 230.80, or 2.15 per cent, to 10,957.66.

EUROPE

Paris worried by new issue procession

A weak dollar and lower US treasuries undermined European debt and equity markets, writes Our Markets Staff.

PARIS was buffeted both by Alcatel Alsthom's FF8bn convertible bond announced after the close on Wednesday, and rumors that Total might be planning a FF7bn issue on Monday.

Combining this with weakness elsewhere on the continent, the CAC-40 index lost 47.81 or 2.1 per cent to 2,152.56. The market had already discounted a cut in the intervention rate, a 10 basis point cut coming at lunchtime. Turnover was FF8bn on the last day of the account.

Mr Michael Woodcock of Nikko Europe said that investors were becoming worried by the number of companies tapping the market, either through convertibles or rights issues.

Total lost FF12.20 to FF319.40, while Alcatel was off FF26 to FF680.

Crédit Lyonnais came out with a 1993 loss of FF6.9bn after the close, worse than most analysts' forecasts, the

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES										
Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
FT-SE Europe 100	1436.27	1438.94	1441.25	1438.88	1437.64	1432.54	1430.50	1428.41	1426.41	1424.51
FT-SE Europe 200	1471.81	1471.53	1473.02	1472.17	1467.80	1462.74	1461.20	1459.20	1457.20	1455.20

Base value 1000 corresponds to 100 - 1441.25; 200 - 1473.02; 1000 - 1424.51

CT's ending the session down FF8 to FF714.

FRANKFURT did a double take, rising first on February's M3 growth rate of 17.8 per cent, not as high as some flights of fancy suggested on Wednesday, then falling as professional analysts decided that the Bundesbank, which still had obvious money supply problems, would not be accelerating its interest rate reductions in the near future.

The Dax index closed the session 0.55 higher at 2,161.68, but dropped to an intraday low of 2,143.36 in the post-bourse.

Turnover rose again, from DM9.1bn to DM10.6bn, but Mr Thomas Nolten, of B Metzler in Frankfurt, said that this seemed to reflect trading,

rather than investment decisions.

On the afternoon slide Mr Nolten said that the bond market went sour, the dollar down, and that US equities were also a weakening influence. Even the recent strength in cyclical, he said, had come into question by the end of the day.

AMSTERDAM weakened sharply as the market came to terms with the rise in US interest rates earlier in the week.

The AEX index fell back by 7.29, or 1.8 per cent to 408.09.

Financial issues were among the heaviest losers; cyclical, such as the chemical groups DSM and Akzo Nobel, which have been notable performers in recent days, also dipped.

DSM fell F1.60 to F1.24.50 and

Akzo Nobel by F15.60, or 2.5 per cent to F219.20.

Philips and its associate Polygram fared better than the norm, with respective falls of 50 cents and 80 cents to F152 and F176.20. Polygram yesterday announced the purchase of a Russian record company.

ZURICH turned back after an early rally, unable to maintain the firmer trend of the previous two sessions. The SMI index finished 6.2 lower at 2,850.8.

Nestlé fell Sfr16 to Sfr1.213 with its 7 per cent profits rise coming at the bottom end of expectations; analysts commented that restructuring costs had been higher than expected.

Sandoz registered shares and certificates rose Sfr20 and Sfr50 respectively to Sfr3.970 after the pharmaceutical group announced a higher dividend and plans to simplify its share structure.

MILAN was becalmed for much of the day by the fraught political situation ahead of the general election, although a selling flurry enlivened the end of the session. The Comit index fell 4.05 to 667.25.

Stat put on L104 to L5.107 on heightened expectations that it was about to sell Italtel, its telecommunications equipment maker subsidiary, to Siemens.

Fondriani, the insurance group, lost L617 or 5.1 per cent to L11,401 after the French insurer, Groupama, said that it would exercise an option to sell its 20 per cent stake in the Fondriani Assicurazioni subsidiary, fell L195 to L26,000 in spite of its announcement of higher premium income.

MADRID's general index fell 4.75, or 1.4 per cent to 330.58. Banesto dropped Ptas45 to Ptas905 although it secured union support for its restructuring plan ahead of Saturday's shareholders' vote.

ISTANBUL dropped another 5 per cent, although selective buying of interest emerged towards the close. The composite index fell 686.45 to 12,980.72.

Changes to FT-Actuaries World Indices, International Companies and Finance page.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei turns positive as region falls back

Tokyo

Index-linked buying by investment trusts lifted share prices and the Nikkei index closed higher for the first time in five days, writes Emiko Terazono in Tokyo.

The Nikkei 225 average ended 75.30 to 20,037.90 after a low of 19,870.09 in the morning and a high of 20,075.81 in the afternoon. Selling by institutions depressed prices following an overnight fall in the Chicago futures market. Investment trust buying and small-lot purchases by foreign investors later absorbed the sales.

The Topix index rose 0.49 to 1,614.91, but the Nikkei 300 fell 0.18 to 2,963.24. Gainers led losers by 553 to 467 with 163 issues unchanged.

In London, the ISE/Nikkei 50 index rose 4.36 to 1,333.63. Volume was 360m shares, down from Wednesday's 426m, as most investors remained

inactive ahead of today's end of the March account.

Volatility on the bond market also kept investors away from stock investments. Mr Rod Smyth, strategist at Baring Securities, said that the situation now was similar to 1987, when Japanese bonds followed global bond markets down.

Since cyclical shares outperformed the interest rate sensitive shares in 1987, he advised a move into cyclical from financials.

A rise in commodity prices, such as cotton and copper, supported textile and non-ferrous metal stocks. Nishinbo Industry, a textile company, rose Y40 to Y1,120 and Fuji Spinning gained Y34 to Y564. Dowa Mining advanced Y16 to Y560 and Sumitomo Metal Mining Y13 to Y914.

Fuji Heavy Industries, a financially troubled car manufacturer, was the day's most active issue rising Y12 to Y413. Mounting expectations of Yaito

earnings attracted investors, although some car makers lost ground on profit-taking.

With Toyota Motor down Y10 to Y2,020 and Honda Motor losing Y10 to Y1,740.

In Osaka, the OSE average rose 2.32 to 22,173.10 in volume of 194.6m shares.

Roundup

The pendulum swung back, mostly reflecting interest rate worries, bond market declines and profit-taking.

HONG KONG took profits ahead of an expected rise in domestic interest rates today, the Hang Seng index ending 144.78, or 1.5 per cent lower at 9,320.75. Brokers said that many positions were futures-linked.

Turnover shrank from HK\$1.5bn to HK\$7.01bn. The Jardine group stayed under pressure on its decision to delist from Hong Kong, the parent easing HK\$1 to

HK\$48.25 while its affiliate, HK Land, lost 40 cents at HK\$21.40.

Cheung Kong dropped HK\$1.75 to HK\$38; it showed a 56 per cent jump in 1993 net profit after the close.

KUALA LUMPUR fell 1.6 per cent, giving back a good part of Wednesday's gains on renewed selling which reflected a new

KLSE rule covering stockbroking firms, and the length of their clients' purchase positions. The KLSE composite index closed 16.43 lower at 983.52.

KARACHI took a technical correction after rises for six consecutive sessions, and the KSE 100 index fell 38.74, or 1.5 per cent to 2,622.57.

BOMBAY fell in low volume, still reeling under the impact of a ban on carry forward trade and a broker default, and worried further by the prospect that tainted shares involved in a two-year old securities scandal might be attached by the income tax authorities. The

BSE index dropped another 45.35 to 3,681.47.

NEW ZEALAND dropped mainly on a weaker domestic bond market, the NZSE-40 index closing 33.91 lower at 2,174.81. Telecom was the biggest loser on the day, down 19 cents to NZ\$5.31, and brokers suggested profit-taking. Turnover was NZ\$96m.

AUSTRALIA, similarly, blamed the bond market, and subdued overseas equities as the All Ordinaries index closed 11.1 lower at 2,169.3. Turnover was A\$637m.

SOUTH AFRICA Bullion's rally above \$390 an ounce helped golds post major gains. The JSE's overall index rose 58 to 6,241, with gold shares up 85 at 2,209 and industrials 28 better at 5,975. Near-term index futures also rose to a premium.

LATIN AMERICA

Uncertain prospects for Mexico

With the country's financial markets closed yesterday following the assassination of the presidential candidate, Mr Luis Donaldo Colosio on Wednesday, active trading in Mexican equities was seen in New York and Europe.

A rush of sell orders initially led to the suspension of Telcel ADRs in New York. They were later quoted and were trading at midsession down 3 1/4 to \$6.07.

Ms Sarah Lavers of Latinvest in London commented that European investors had taken a measured view of events so

far, with expectations of a possible correction in the market of between 5-10 per cent.

A more important test would come from US investors, she added, while the key determinant of the market's future direction would come from the currency markets. If the local currency weakened appreciably, then this would clearly put a certain amount of pressure on companies with dollar debt, she said.

Investors were waiting to see whether Mr Manuel Camacho Solis, who had announced earlier in the week that he would

not put his name forward as a presidential candidate, would change his mind.

Kleinwort Benson's Latin American team commented that the central bank was likely to allow the peso to break out of its trading band in the short-term, while interest rates were also expected to rise.

Elsewhere, equities opened sharply lower in BUENOS AIRES where the Merval index dropped 2.2 per cent to 589.15.

This followed a gain of 4.7 per cent on Wednesday, and a rise of 2.5 per cent on Tuesday.

Fed move hits European turnover

By Michael Morgan

Equity trading in the leading European markets declined in February after the strong growth of the previous two months. Turnover declined by 8.2 per cent last month after rising by 15.3 per cent in January and 12.2 per cent in December. February's fall accompanied a 4.4 per cent decline in the FT-A Europe index, following the decision by the Federal Reserve to raise US short-term interest rates on February 4. The move took the markets by surprise: they had not been expecting any tightening until mid-year. It also triggered panic selling by hedge funds in the bond markets and the instability quickly spilled over into equities.

Mr James Cornish at NatWest Securities notes, however, that in contrast to the declining activity in domestic markets the volume of European stocks traded on Seaq International, the London screen-based system, masked a 0.2 per cent rise on the month. This took London's share of trading in continental European equities to 16.1 per

EUROPEAN EQUITIES TURNOVER

Source	Nov 1993	Dec 1993	Jan 1994	Feb 1994	US \$bn
Belgium	78.39	91.60	107.56	95.76	2.73
France	191.05	218.65	251.98	244.82	42.18
Germany	177.93	211.05	219.28	176.59	103.45
Italy	35,092.8	41,385.6	53,824.0	79,108.6	46.90
Netherlands	27.20	25.40	35.00	32.00	10.07
Spain	1,384.6	1,287.5	1,521.82	1,400.80	10.07
Switzerland	28.60	31.30	59.70	33.90	23.76
UK	52.61	55.79	65.31	59.80	88.92

Figures represent purchases and sales.
All data adjusted to include oil-related trading. Some figures may be revised.
Source: Natixis Securities

Values represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

cent of the total activity in the domestic markets in February, up from 15.2 per cent in January and 14.8 per cent in December.

"This continuing faster volume growth in international trading, compared with domestic market activity, confirms continued involvement of international investors in the European markets, including sales by US institutional investors as the going became tougher," says Mr Cornish.

February's turnover downturn accompanied falls in the market index for all eight countries. The Italian market, down only 0.6 per cent, suffered less than the others

while its turnover, against the trend, rose by a massive 46.7 per cent to a record level. This represented an 83 per cent rise on the average for the previous three months and took Italian turnover for the first time, above that seen in France over the month.

Italy saw record inflows into mutual funds in February while strong US demand for Italian equities has also emerged this year, with the investors tending to overlook immediate political uncertainties ahead of the general election on Sunday and Monday.

Instead they are concentrating on the longer term corporate and economic outlook.

The privatisation programme held the key to Italian trading with February seeing the successful sell-off of the IMI financial services group and the run up to the sale of BCL.

In addition, the telecommunications sector returned to favour as plans went ahead to bring together five separate companies under one umbrella, in preparation for privatisation later in the year.

Germany was the month's biggest loser with turnover down 19.5 per cent, and 12.9 per cent on the average for the previous three months, as the motor sector, and particularly BMW put in a strong performance but financials were neglected.

But with share prices down 3.1 per cent overall, the large fall in turnover was regarded as a return to more normal, but still good, levels after the records seen in December and January.

Switzerland was another loser, with turnover down 14.6 per cent from January's record, as investors judged that the time was ripe to take profits in the banks after the sector's strong run-up to its reporting season.

VIEWPOINT

The Commerzbank report on German business and finance 3/94

Will Germany's private households do it again?

Contrary to widespread belief, West Germany's recovery from the 1981/82 recession was not triggered by the beginning Reagan boom, but rather by domestic private households. Although unemployment was increasing sharply, the private savings ratio fell by almost 2 percentage points in 1983. Can private households be relied on to fuel the recovery this time?

Private consumption proved to be surprisingly resilient last year. Shrinking by only 0.2 per cent in real terms, it held overall demand stable, while business fixed investment contracted by 11.9 per cent and exports by 7.3 per cent.

Since the early 1990s, the growth of German households' incomes has slackened significantly. The increase in disposable income has been curbed by hefty rises in taxes and social security contributions, some of which have had a negative impact on purchasing power. At the same time, recession has caused a substantial decline in employment and has restrained pay increases. Whereas in 1990 - when inflation stood at 2.7% - disposable income grew by practically 10%, in 1993 - with the price climb now at 3.5% (private consumption deflator) - nominal incomes advanced by only 2.2%.

Experience of past recessions

If private households were to behave this year like they did in 1983 - or in 1976, for that matter, after the economy had recovered from recession - western Germany's GDP would probably grow by 1% or more. Unfortunately, however, this is unlikely to happen. For one thing, the savings ratio has already

"Most of the adjustment in private consumption is still to come."

receded by 2 percentage points from its 1990 peak. A further fall of 1 1/2 percentage points in 1994 would bring it down to levels last seen in the early 1960s. For another, not only are the normal cyclical forces at work; there has also been an unprecedented series of increases in taxes and social security contributions each year since 1991.

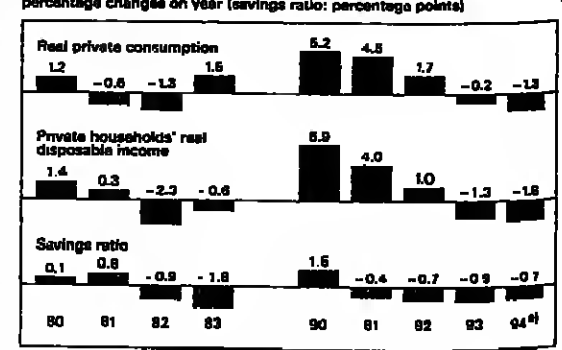
In 1994, higher contributions to the pension insurance scheme and the raising of the tax on petroleum products - with the next increase scheduled for 1996 - will total DM 30 billion for the private sector. In 1995, the so-called solidarity surcharge on income and corporation taxes will add another DM 2.8 billion. On top of this, a compulsory insurance scheme to cover nursing care for the elderly is to be introduced.

As this additional tax burden mainly reflects the huge financing needs of unification, households will tend to see it as permanent rather than temporary. The rational response, therefore, would be for consumers to "tighten their belts" instead of tapping their savings. What is more, rising unemployment and the uncertainty possibly created by Germany's bumper election year in 1994 suggest that the

private savings ratio is unlikely to continue to recede significantly. Therefore, we expect a decline of no more than 1/2 percentage point in 1994. This is also suggested by low interest rates and the fact that the taxation of interest income has become more noticeable due to the withholding tax. Under these circumstances, real private consumption will fall by roughly 1 1/2% in 1993-94 compared with almost 2% in 1981-82, when real disposable income was declining by less than the current rate.

While this forecast implies that most of the adjustment in private consumption is still to come, it does not point to a

Private consumption during recessions



further decline in western Germany's GDP in 1994. At the moment, the most likely prediction is that the expected stabilization of business investment and a modest recovery of exports - solidly underpinned by the rising trend for foreign orders over the past twelve months or so - will produce a small increase in real GDP this year.

COMMERZBANK
German know-how in global finance

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Ingenuity: THE FT ENGINEERING REVIEW

■ CONSTRUCTION EQUIPMENT III: J.C. BAMFORD (JCB)

Supply chain links grow tighter

A leading UK equipment builder exemplifies the changing relations between engineering customers and suppliers

One of the best ways to examine the changing nature of the relationship between customer and supplier in the engineering industry - producing benefits for both sides - is to look at developments in the construction equipment sector.

J.C. Bamford (JCB), Britain's biggest construction equipment producer, is a case in point. Its supplier base has been thinned from 760 in the mid-1980s to about 280, sorted by quality, and brought into continuous cost reduction programmes much as has occurred at most leading producers of excavators and other earth-moving equipment.

Within the past three or four years, JCB has moved to classify its suppliers according to their strategic importance to the company with the most crucial being the core suppliers. The company has a product development programme of a much earlier stage.

In return for a reasonable guarantee of long-term business, so long as they can satisfy JCB on cost and quality, the more important suppliers are expected to make suggestions on how their own products can be better used and are trusted to do a lot of the detailed design work themselves so long as they keep to performance parameters.

The idea is to use suppliers' expertise rather than having to do everything in-house, says Mr John Appleby, former JCB purchasing director for its main machines and now, following a reorganisation last year, managing director of its wheeled loader division.

For example, two suppliers, Airflow

Streamline of Northampton and German-based Beuth, were deeply involved in designing respectively the cab and hydraulic system for JCB's new wheeled loader after being shown the prototype.

Alternatively, JCB has used a deeper relationship with a supplier to solve a problem, such as it had with electrical wiring harnesses. Larger suppliers geared to automotive industry volumes were not interested in supplying JCB, and small suppliers were undercapitalised and under-capitalised, says Mr Appleby.

JCB identified one supplier, Westford Electronics, with potential for improvement, and worked together with the Westford-based company to develop all the electronic machinery from the product onwards. JCB then asked the team to produce a new design.

A further approach is to give the supplier responsibility for delivery direct to the production line. This is increasingly happening in the crucial, yet perhaps somewhat hazy area of industrial fasteners - nuts, bolts and rivets etc.

Here, JCB has set up a direct line from MBS Distribution, the Birmingham-based fastener distributor, to a daily basis to the production line, a daily basis to the production line, controls quality and stores goods to JCB's specification.

The arrangement means that JCB does not have to worry about its fasteners, but it also has benefits for MBS, says Mr Appleby. It has managed director, three years ago, before it started such arrangements, it had 25,000 different customers, and had to carry huge stocks because it was living



Leader manager John Appleby uses suppliers' expertise rather than do it all in-house

on a day-to-day basis. Crucially, it was not making money. It decided to change course, and now 80 per cent of its business is on a customised basis for 80-85 customers including JCB and other big names such as Black & Decker and Oils.

It receives advanced notice of changes in production levels so can prepare accordingly, carries fewer lines of stock because it is more focused, and can strongly influence the use of fasteners in new products.

"We have three people permanently

Andrew Baxter

on-site at JCB and the whole of MBS has been turned into mini-businesses closely focused on customers," he says.

There are costs, however, in such relationships, which mean the supplier is holding stock for the customer and is also having to deliver fewer parts less often. Last year, MBS commissioned an activity-based costing analysis from World Class International, the Hampshire-based industrial consultants, to enable it to cost with confidence any future just-in-time arrangements which it takes on.

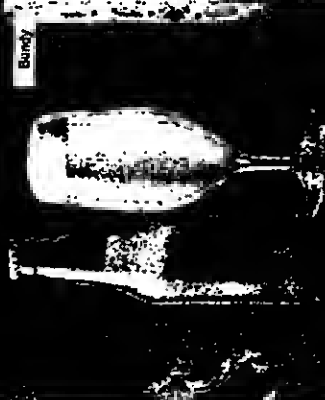
Mr Thorpe is convinced that the new strategy is the main reason for MBS' recent turnaround into profit and sharp rise in annual sales from about \$5m in the late 1980s to \$18m at present.

The downside of such relationships, of course, is when the customer hits trouble or goes bust. Leyland Daf was a big customer before it went into receivership, and MBS would have lost 5 per cent of its sales if nothing had survived of this van and truck producer. Happily, it has continued supplying to the Leyland Daf van plant in Birmingham following last year's buyout. Customers, though, can also have such problems, especially during a recession. Mr Appleby recalls a situation where JCB heard on a Friday that a strategic supplier of fabrications was to call in the receivers on the following Monday.

Over the weekend, JCB had 22 truckloads of work-in-progress and tools shifted to other suppliers, with executives including Mr Appleby operating forklifts to compete the task. "We don't want any more like that," he says.



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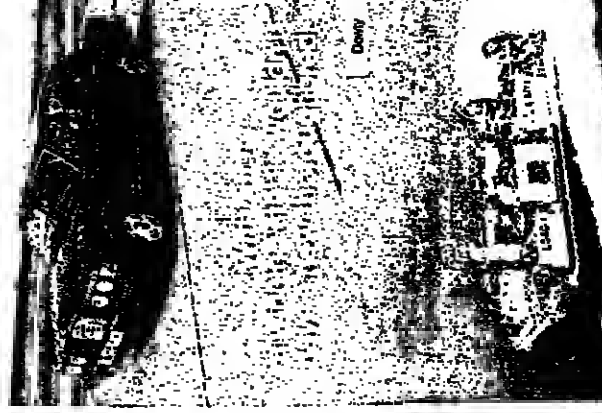
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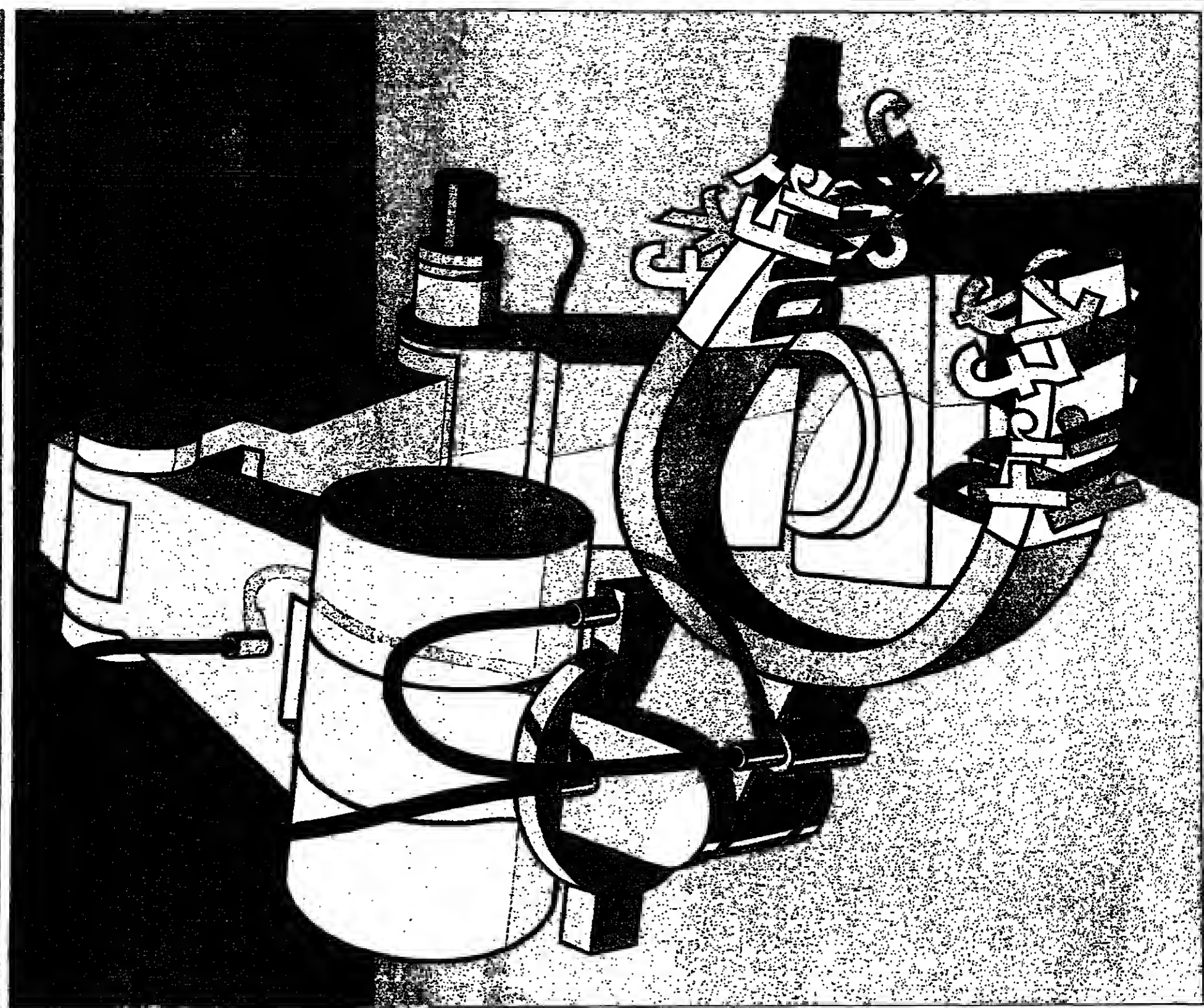
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Ingenuity

THE ENGINEERING REVIEW



● Robots invade new territory ● Training for finance ● Who invests in R&D ● Skill raising at Rover ● Construction machinery update ● Do prize winners really succeed? ● Springtime for lawnmowers ● Circuit board revolution

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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

Ingenuity: THE FT ENGINEERING REVIEW

ANDREW BAXTER SURVEYS THE STATE OF THE INDUSTRY

Survivors from the storm

Many companies are producing better and more competitively priced products thanks to technical and managerial innovation and workforce flexibility. This issue of **INGENUITY** examines changes in the UK and other parts of Europe

A hard-pressed engineering company executive wondering whether it is worth putting years of effort into developing successful businesses while shaving off recession and adapting to change would have found some answers at a birthday party in Cambridge last month.

The occasion was the silver jubilee of the Caparo Group, the steel and engineering products business built up by Dr Sverre Paul from a small company in Huntingdon - hence the lunch in nearby St. Ives, attended by the local MP, Mr John Major, the Prime Minister.

Dr Paul began with £5,000 in 1968 and has built Caparo into one of the largest family-owned businesses in the UK, based in Huntingdon, with a turnover of £100m. It produces products such as aluminium extrusions and castings.

"There are many challenges off the steel business and we have to be innovative in the way we do things," said Dr Paul. "I think we have proved that there is no such thing as a bad business, there is only bad management. Things may be difficult and conditions may be adverse, but managers with skill and with faith in human resources will always be able to prosper."

Dr Paul said the importance of Mr Major's attendance went well beyond celebrating Caparo's success. It signified the Prime Minister's direct endorsement of a "vision in which we all participate - the revival of prosperous, modern British manufacturing".

Mr Major, in turn, made it clear where as read but important changes are under-



New line ABB Robot 1400 robot with the 84 Controller and window programming unit

Mr Davies described engineering's contribution to the decline as significant, with a third of the sectors that make up engineering moving into a trade deficit during the 1980s, joining the one sixth that were already showing a negative balance.

The decline in the manufacturing base has had two important effects, he said: first, a very significant change in the shape of the economy is likely to leave a large number of casualties in its wake, and secondly, the UK has found it difficult to benefit from the newly growing areas of the world economy.

With the advantage of new competitive forces, the UK has to re-examine its position. Dr Davies stresses the industry must open up the engineering industry to new talent through wages in industrialising nations

Continued opposite

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Interview: Prof John Chelmon on teaching engineers about finance and communications

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Machine tools that will leave every egg uncracked

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What do they spend on development? Six companies compared

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Fover's approach to continuing professional development

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Diesel twenty: how Perkins and Cummins prepare for battle



Milithem plant of Siemens power group KKW



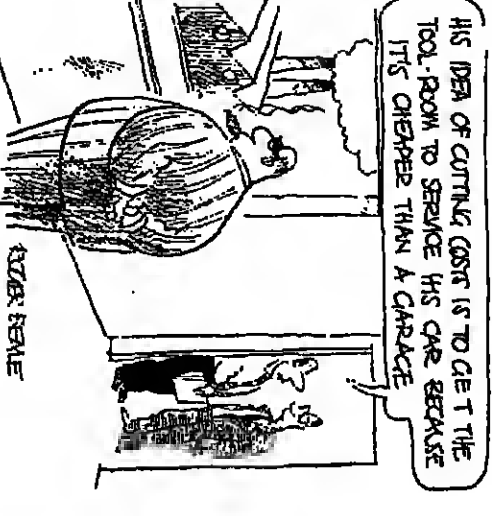
A VME Akerman leader at work in a quarry

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Family values pay off for Belgian machine tool maker LVD

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Cat on the prowl

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Why a Devon food equipment maker videos its workers
How valuable are awards for engineering?



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Ingenuity: THE FT ENGINEERING REVIEW

Siemens of Germany is a many sided company. On this page ANDREW BAXTER examines its role in health and power equipment

A letter from Professor Röntgen

Since supplying X-ray tubes to their inventor in 1897, Siemens has become one of the world's largest medical engineering groups - and plans to keep its dominance

In November 1897, the company that is now Siemens' medical engineering group received a letter from Professor Wilhelm Röntgen, discoverer of X-rays. Its X-ray tubes were very good, he said, but could he have them for DM20 each rather than DM30?

From experience I have made also where this proposal should be quite acceptable, since it is an exceptional case and you might perhaps be interested in my ideas from my side, he wrote.

Nearly a century later, the Siemens business is still the largest in the medical engineering field worldwide, with sales of DM1.8bn in 1993. About 50,000 employees, it also has the largest production line running from component manufacturing (CT) scanners that fill a room to complete X-ray machines.

But the pressures on producers of medical equipment have intensified. As with other fast-developing technologies such as personal computers, customers for high technology medical equipment bought by hospitals and universities expect more performance for the same or lower prices.

DM1.8bn a year later, Siemens' medical engineering group has traditionally been global, with factories in the US and 10 other countries, besides Germany. Five of the 14 product divisions are based in the US and two in Germany, where the group employs 15,000 people. Still accounts for some 40 per cent of its workforce and the company is committed to conserving the consistency of its investment in its domestic base.

But it is not a simple matter. The plant, near its base in Erlangen, and one of the most modern medical equipment manufacturing facilities in the world. The plant already assembles angiography systems and will be expanded to produce X-ray tubes.

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Fossils still have plenty of power

While some of the technologies in Siemens' medical systems business are no more than a decade or two old, the fossil power side of the company's KRW power generation business has roots going back to 1866 when Werner von Siemens discovered the dynamoelectric principle.

But for Prof Klaus Riedle, executive director of the Zingst-based fossil power business, the challenges of running the business are modern.

It is one of the big five competitors in an increasingly global market for power generating equipment, but has a much larger proportion of its workforce in the high cost centre of Germany than its rivals.

With some 10,000 of its 12,000 workers worldwide employed in Germany, Prof Riedle says: "We will have to make our German plants more competitive."

In Germany, the fossil power business makes large steam turbines and turbo-generators in Erlang, gas turbines in Berlin, and industrial turbines at West and Götting. Overseas it has a factory in Milwaukee which makes smaller gas turbines and generators, a gas turbine joint venture in St Petersburg and a components manufacturing company in Indonesia.

The spread of manufacturing gives a clue as to how the company is trying to reduce its manufacturing costs. Prof Riedle sees two ways of doing this: one is by decreasing the proportion of added



Forbheim's angiograph assembly line: soon it will also make tomography scanners

the human body - which put all those involved into a group and produced coils faster and cheaper.

Mr Müller comments that the excellent training and competence of the workforce has increased the barriers between different factories. But if you can break down the barriers, the potential is even greater.

Strictly speaking, the company is looking very hard at the advantages of changing from being manufacturing to being an integrator, allowing it to put more emphasis on core competences: the one on which customers decide which company's system to buy - and outsourcing everything else.

On the engineering and product development side, Siemens is replacing the former very linear product design process, while by 1996, engineering and manufacturing will be brought together under one roof in Erlangen. The factory is currently three kilometres away but might as well be in China, says Mr Müller. The aim will be to have a single assembly line producing multiple products, thus responding to an expected proliferation of MR products.

The overall plan is aggressive. Mr Müller admits, but his target of doubling profit

manufacturing jobs in Germany. Meanwhile, with others increasingly keen to deliver more quickly, the efforts made by Siemens in the overall line to build a power station, are particularly important.

Already, it has made considerable progress. It built the recently completed Rye House combined cycle power station in south-east England in 30 months, compared with an average three and a half years in the 1980s, says Prof Riedle. Cycle times for large steam turbines are down from 30 months to under two years, and could be reduced to 18 months for standard machines, he says.

Because of the importance of B combined cycle power stations, a new effort was launched a year ago to benchmark the business on its performance producing these gas-fired power stations.

But Siemens is judging itself against a "synthetic" competitor combining all the best qualities of its rivals: the General Electric and Westinghouse plants in the US, and the two other European plants, Asea Brown Boveri and CEC Alsthom.

Prof Riedle believes no single competitor has all the answers and believes Siemens can achieve the goals set out in the benchmarking process in three years. With rivals making advances all the time, he is clearly determined that Siemens will not lose ground.

Ingenuity: THE FT ENGINEERING REVIEW

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MANAGEMENT: CONCURRENT ENGINEERING

Teamwork discovers fresh territory

The full potential of CE (concurrent engineering) has barely been used. **Andrew Baxter** learns on a visit to TransTec

Concurrent engineering — using teamwork to get new and better products on to the market more rapidly — has been a regular feature on the industrial map for the last part of a decade. Now, however, it is moving into new territory.

Most surveys suggest a large proportion of engineering companies in most western countries are using concurrent engineering (CE) in some or all parts of their business. Its benefits are under-recognized, its benefits are under-estimated, its benefits are under-used.

These are the questions being tackled by a project on global concurrent engineering being carried out under the auspices of the five-coalition Intelligent Manufacturing Systems Initiative.

because companies realize from bitter experience how expensive it can be to design a new design of a product at the last moment. Some experts say the idea was invented first in Japan and has been rapidly copied and improved by European companies. It is simply management-speak for "common sense."

One company that claims to have been using CSE for years before the phrase was coined is the Birmingham-based specialist marketing group. Since its special days in 1983 says Dr Sam Ahmed, executive director, it has frequently used project teams led by a full-time manager who pulls in colleagues from different disciplines to ensure the right product gets to market at the right time.

TransTec is now participating in an ambitious worldwide project to chart the future for concurrent engineering, which can be defined as the coordinated activity during the design phase of the product associated with the life cycle of the product, including manufacturing, assembly, testing, manufacturing cost and quality management. The project is led by the technology, technology management and business resources, to synthesise the practices of CE, and to develop the requirements necessary to diminish the effects of the critical constraints; to design an "architecture" of a CE system for global manufacturing and finally, to disseminate the results through a Global CE seminar.

The old, traditional alternative is a sequential approach, where a product is typically designed, then engineered for manufacturing, then given to the marketing department. It might only be very late in the process, for example, that a male-

TransTec's Ahmed: a worldwide project

plenty of its own CE experiences to draw on.

space, information technology, shipping/maritime, telecommunications electronics design.

In return for some useful information that benchmarks their own performance in all aspects of introducing CE, the companies have contributed data on how they have been using CE, its benefits and problems faced when it was introduced, and on what sort of employees been involved in the new product development process. The major benefit of CE was found to be shorter time to market, followed by improved communication, improved net quality and reduced design changes. The biggest problems were resistance to change, managers' reluctance to listen, and organizational dimension

■ PROFILE: ATCO-QUALCAST

Better news from the grass roots

Tucked away at one end of Ato-Qual, the UK lawnmower maker is flourishing again thanks to flexible warehousing and manpower, says **Andrew Baxter**

The company needed to make a number of other changes too, said Mr. Barker. It had to match production much more closely to sales, moving away from a team which seemed always to produce too many cars.

Declining sales and market share, and rising fixed costs and stock levels at the two plants in Styvamarkeet and Derby—but the acquisition also coincided with drought conditions that dented lawnmower sales.

But what was the long-term strategy? Is it safe to assume long lawnmower factories at Styvamarkeet, Suffolk, are workers grouped in an assembly cell area making a new rotary mower?

No more than a week's supply of all the parts they need are stored on view next to the cell, and conveyed on a carousel from

the sell, and conveyed to the team members. The team then chooses the parts that the team members choose the parts they need. The team also chooses temporary workers to help in busy time. The sell is part of a pilot scheme introduced over the past few months at Alcotest, and the team is now looking at the many or too few solvent. Sales in the UK lemmowmer industry depend on a unique mix of factors including the weather and consumer confidence; spending power and are very hard to predict. Baggett's marketing methods, he says, are "not the best."

Quelcor, and symbolises the changes underway – and long overdue – at a company whose name includes two of the strongest brands in the UK lawnmower industry, but which in 1980 seemed destined for the corporate compost heap.

Against a background of overcapacity in a depressed market, and losses during 1980 and 1981, the company eventually decided in April 1981 to close the Derby plant, and consolidate manufacturing at Stowmarket. If the decision had gone the other way, says Mr Colin Barber, manufacturing director at Derby, manufacturing itself, it is no easy job introducing change into traditional company

[illegible]

example, because early workers are heavy and go home for lunch. But by avoiding moving too quickly, and by gradually fostering a spirit of co-operation between management and workers to replace years of confrontation, Mr. Stephens has labour, managing director, halving the seeds have been sown for success. Alco-Quaisant join an Alco-Quaisant as partner. Mr Roberts joined Alco-Quaisant as managing director in 1961, three years after its former owner, Bill Quailes, the big beast acquired by Bill Grede the big consultant. Alco-Quaisant had already been a client of Quailes's, even when -

ROBOTS

Untouched by human hands

Intelligent machines are a familiar sight on motor production lines. Now they are expected to turn their 'hands' to the high-speed packing of food and drink, says John Dunn

PLATOON of new recruits drafted into the French army to pack combat rations are hardly to look lively. Up to 10 different menus are needed each month.

Each ration consists of 18 items ranging from a pack of biscuits and a tin of meat to purification tablets and a miniature stove. In order to keep the fighting troops fed, the new recruits have to pack rations at the rate of 24 a minute.

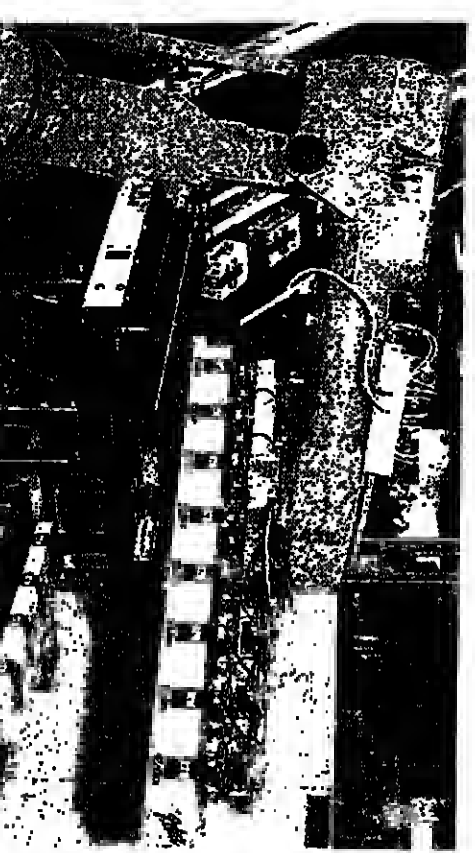
The hickies legions are 13 industrial robots, part of a FR28 automated packing and palletising line built for the army by ABB Robotics. Three robots untied boxes of goods from pallets on to a conveyor which delivers them to the ration packing station.

These robots are machine, using video cameras to recognise the right items, pack them into ration boxes in just 2.5 seconds. The 13 robots deliver the boxes on a 100m track to delivery to the barracks. Five different menus can be put on one pallet to match a variety of orders.

David Marshall, responsible for customer training at ABB Robotics in Milton Keynes, frankly hopes that the food, drink and confectionery industry - including even army rations - will become the next big market for robots. "The whole robot industry has depended on the automotive industry since day one. Look at the figures - 90 per cent of the world market for robots is in the automotive and automotive supply industry. We are looking to the food industry to perform as well as the automotive industry."

This reason for his optimism is that industrial robots have become more attractive to the food industry for packing and handling, particularly in the light of new health and safety regulations restricting the weight of loads that can be lifted manually.

They have become faster, reliable, more accurate, and easier to incorporate into a



A gentle way with soft centres: chocolate bars being packed by robot.

Some of the gain has come from the improved mechanical performance of robots - faster acceleration and deceleration and better overhead behaviour. And some has come from better integration of the robot into the process, says Wilson. "The spot welding gun will begin to close before it gets to the weld, for instance. The load capacity and accuracy of robots has come on in leaps and bounds, too. The biggest robot we do carries 300kg. That was unheard of 10 years ago for an electric robot," says Wilson.

Reliability has also greatly improved, he says. An example is the arc welding robot, which was occasionally get stuck in the molten metal at the end of a weld. A few years ago, as the robot moved away it would trip the welding torch of the arm. Today, says Wilson, "wireside" sensors prevent this and automatically send a pulse of current down the wire to burn it.

Another example of improved capability is "vision" sight. It is based on a camera mounted on the end of the robot arm. It will pick up the end of the welding wire, it will follow it and it will use it to be aligned off manually. Today's robot will sense this and switch to the tip of the wire along the component to rub the bead off. It will then go back to the correct place on the weld and start welding.

Overall, says Wilson, the cost-performance ratio of robots today is considerably better than a few years ago. "Just remember, no one's been using them for 25 years," says Wilson. It would have taken three years ago.

Financial training for the new generation

John Chelmon, professor of engineering management at City University, tells Andrew Baxter about ways of making engineers more at home with finance and communications

Of the many clichés lobbed at the UK education system over the past decade or so, its failure to produce enough engineers with the right financial and communications skills to make it to the top in British industry, has been the most common.

But while all sorts of commentators, academics and government officials identify a need in the UK for more engineers who are financially aware, it is not something that can be achieved overnight. Even so, Prof John Chelmon looks on the whole situation as an opportunity rather than a disaster area.

A former purchasing director at Ford of Europe, Prof Chelmon can remember several prevailing UK machine tool companies in the 1970s which were run by engineers. "About 80 per cent of them went bust," he says, "largely because these very good engineers did not have even enough financial training to realise they needed more financial expertise. They also lacked the financial training to deal effectively with their sources of finance, such as the High Street banks."



Chelmon: engineers went bust because of lack of financial know-how. Picture: News Pictures

of management, but now when confronted by the implications of technology, and having to develop parallel technology strategies along with business strategies, they are not really equipped to do it.

Heating engineers in senior positions in industry are not only beneficial because they will encourage their companies to adopt practices such as concurrent engineering and rapid prototyping, he says. Some of the methods of analysis can also be applied to a business.

City University is taking a twin-track approach to developing engineering managers. The engineering management programme, its undergraduate engineering degree courses have been increased in recent years. "We hope that people

CONSTRUCTION EQUIPMENT II: VME

A bucket, a vehicle and a sketch pad

VME, Brussels based builder of loaders, was formed in 1985 by Swedish Volvo and US Clark Equipment. It has come a long way

A stroll round a small museum in Eksholm, Sweden, gives a clear impression of the dramatic leaps in construction equipment made by the company over the past 30 years, writes ANDREW BAXTER.

In the town that thinks of itself as Sweden's Stockholm, the museum celebrates the achievements of two early Swedish engineers, Jean Bolinder and Johan Thorsstrom (Möckel), and their successors. One of these in the early 1980s had the bright idea of putting a bucket and arm on the back of a tractor, and turning the controls round so that the back became the front.

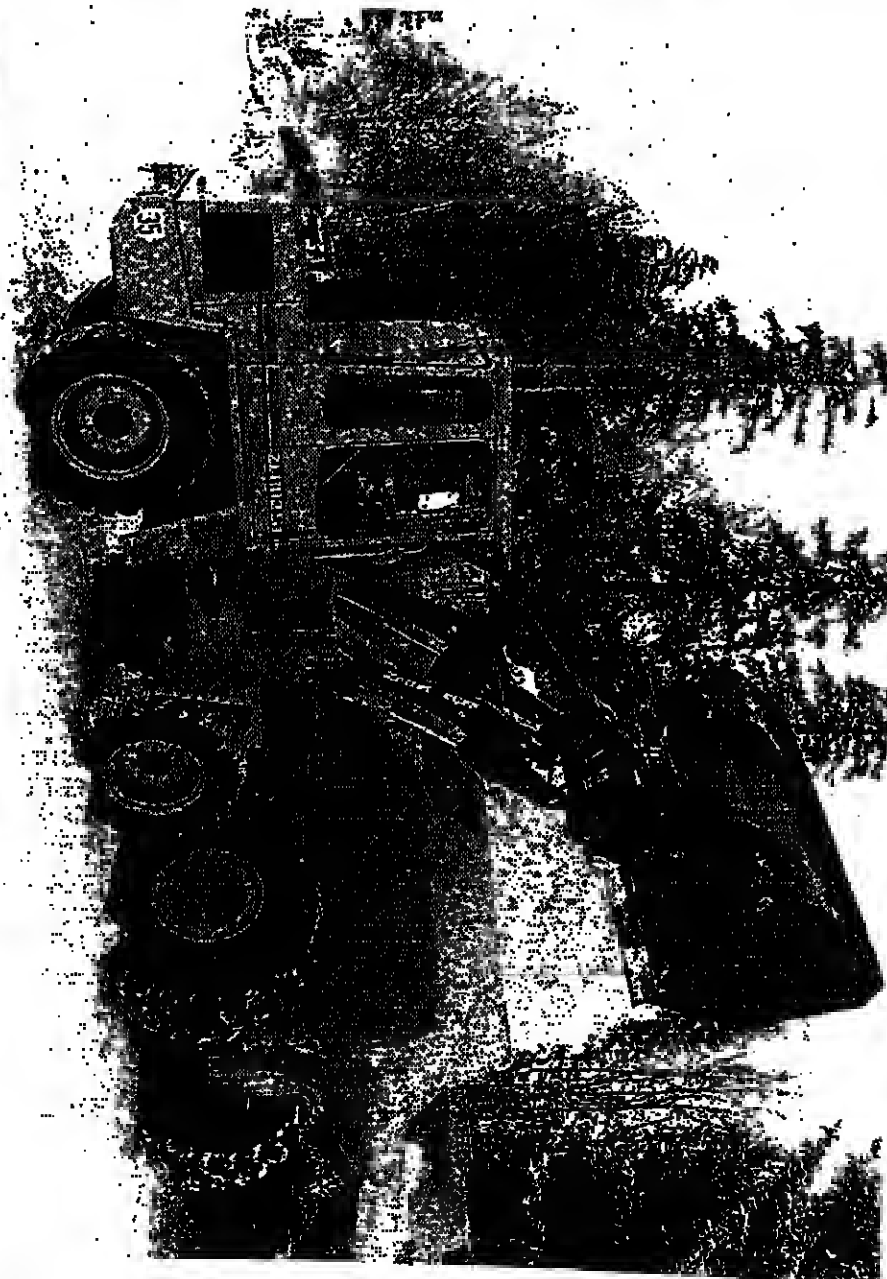
Time was born the wheeled loader, which is now Europe's biggest selling type of earthmoving machine. Messers Bolinder and Möckel, meanwhile, are immortalised as the BM of Volvo BM, one of the product ranges within VME, the Brussels-based construction equipment producer.

The merger of the construction equipment divisions of two of Sweden and Clark of global products in the industry which are in the next stage of merger from the two giants Caterpillar and Komatsu.

All the companies combine to make the world's biggest manufacturer of earthmoving machines. Miller, VME's UK promotional manager, says he often sits down with a sketch pad, trying to work out a completely new design that would avoid the need for a "dead" counterweight on to the back of many machines.

In the absence of any totally new concepts in machine design, the industry is committed to a perpetual process of improvement in its current products, replacing one series of loaders, excavators and other lines with another to modernise the design, improve comfort in the cab, update the electronics, and improve the efficiency and environmental friendliness of the machine.

Designs that may have lasted a decade or more in the past now have a life of as little as six years, and are also updated more frequently.



One of VME's German-built range - the Zetelmeier ZL 692 loader - makes short work of clearing big snow.

The process, many customers who are looking to replace a machine after three or four years have agreed to be able to buy a new machine for less than the old one, or to have the old machine replaced by a new one without any extra cost. This is a very attractive proposition for a supplier that is standing still, or even only partially updated product, and gives suppliers something to show off at trade shows.

This year, it is the same as ever with a batch of new products being unveiled at last month's International show in Paris. VME is launching the new Volvo BM L90B wheeled loader, which incorporates a number of new features already included on recently launched loaders, such as load-sensing hydraulics and the so-called TP Linkage lift-arm system (first introduced in 1981).

In its German-built range of Zetelmeier loaders, VME has launched the Zetelmeier ZL692 loader, which replaces an earlier machine in the same size bracket, and unveils two new American excavators, to complete a range of

premium-specification Swedish-built machines that has been redesigned over the past year. Mr Chris Rees, managing director of VME's UK subsidiary, has high hopes for the new machines. The re-launched excavators, which were previously designed very much for the Scandinavian market, should give a much better presence in the UK market place, he says, and help VME achieve its aim of 10 per cent market share in the UK by the end of 1986, compared with 4 per cent last year.

The new Volvo BM wheeled loader would help the company consolidate its position while the Zetelmeier loader is marketed for machines with a one cubic metre bucket. Overall, and other things being equal, Mr Rees believes the new machines could raise VME's unit sales in the UK from 470 machines last year to 550 in 1984.

VME has a strong reputation among users for its products, and has maintained spending on new product development

windcreens, instead, it enjoyed commercial success in recent months. The 1979 prize was the first awarded for computer simulations (now ETI) for the present view, all system, which enabled subscribers to get written information over the telephone lines. Although the system was technically a success, it was not sold to any other companies, and was sold to the other hand the 1980 winner, Johnson Matthey's catalytic system for reducing vehicle exhaust emissions, has been an unqualified long-term success.

The company has long been the world's leading supplier of auto catalysts. The 1981 winner, the Microflexor developed by Lucas as a miniature fuel injector for diesel engines, was also aimed at the automotive industry. Its initial export sales in the US were astonishing. In the first two years Lucas shipped 250 Microflexors to Oldsmobile alone. But then Detroit turned against the cars, the automotive manufacturer's little interest in it; they were happy to continue with cheaper, lower performance

This article focuses on the first half of

A British Rail failure and a Royal Signals achievement

Continued from opposite page

In industrial chemistry, high activity catalysts for making methanol. These have earned ICI substantial royalties from overseas licensors.

There was a double award again in 1973. Westland won the prize for innovations on the Lynx helicopter (the semi-rigid rotor and coniformal gear). The Lynx has turned out to be one of Westland's most successful models.

The 1977 prize went to the Royal Signals and Radar Establishment, and Melvern Instruments for their joint development of an electro-optical instrument, the Malvern Correlator, which was later selected to measure the flow of particles in a fluid. It has been applied widely in the chemical and aerospace industries. The Correlator is a good example of something that still happens too rarely in Britain - successful research to civil industry.

Pittington won the 1978 prize for its high-strength Ter-Tenry laminated windscreen. This illustrates the unpredictable consequences of industrial innovation. Although Pittington had expected the main application of Ter-Tenry to be in cars, the automotive manufacturer's little interest in it; they were happy to continue with cheaper, lower performance

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CASE STUDY: HOBART STILL

Big video is watching you

Operatives at this Devon-based manufacturer of food and beverage equipment were video-taped to see how work could be speeded. Andrew Baxter describes the results

Workers at Hobart still in Barnstaple, Devon, have been video-taped to see how work could be speeded. Andrew Baxter describes the results

The episode, recounted by Mr Graham Forester, UK engineering and manufacturing director of the food and beverage equipment producer, illustrates both the obstacles to change and the solutions at the Devon plant over the past few years.

Why put a drill away in a drawer when it should be available close to the machine? Mr Forester, top priority as the factory underwent a dramatic transformation.

The changes, however, could only be achieved through big changes in working practices and flexibility as symbolised by the willingness of workers to be videotaped in an effort to reduce waste and save time.

Hobart is part of the food equipment group within Premat International, the UK company perhaps best known for its Tupperware products. In 1989, the group bought W.M. Still, which makes beverage systems and two years later decided to close the Still plant in Hastings, concentrating manufacturing in Barnstaple.

Barnstaple had been working on a three-and-a-half day week at the time, so had spare capacity. The addition of beverage equipment to the factory's range of food plant, however, provided an opportunity to change the way the plant, to reduce cost and increase flexibility.

"The feeling was that we had one opportunity to get it right," says Forester. The plant was producing more extensively than its counterpart in the US, and there would have been a question-mark over its future if it had not increased efficiency.

Over five months in 1991, the production of Still equipment was brought to Barnstaple, and a number of key decisions were taken. The product range and processes needed to be rationalised.



Cooperation and flexibility: finishing a Hobart mixer at the Barnstaple plant

systems triggering deliveries from one cell to another, clearly visible displays of each cell's performance updated frequently each day and backed up by measurement methods which the company had previously lacked, and some significant little changes. The old foreman are now "area facilitators" while the engineers who used to dictate to production have been viewed by workers as initially time-consuming and counter-productive but within months was helping to generate much more impressive improvements than would have been possible otherwise.

And both Mr Emery and Mr Fortier praise the willingness of the workers to be moved around to the most challenging tasks in a few days. Previously, everything was so rigid, says Mr Fortier.

At that time, whose layout has been completely reorganised over the past year, says Mr Fortier.

Do winners succeed in the real world?

It is one thing to win prizes for ingenious engineering. It is another for bright ideas to gain serious commercial application. Clive Cooke examines the subsequent fate of some celebrated UK award winners

between Freeman, Fox and Partners for the Severn Bridge - still considered a significant international innovation in the design of suspension bridges - and Rolls Royce for the Pegasus jet engine - still operating successfully on Harrier vertical take-off aircraft.

The 1970 winner is an example of an innovation which became a huge success while remaining virtually unknown to the general public, because it involves a product far removed from any consumer product. Three BP geophysicists won the award for developing techniques for applying seismic technology to the oil industry. Their techniques enabled BP to discover Alaskan oilfields worth billions of dollars.

BP was to win the award again in 1982

The 1972 prize went to Sir Godfrey Hounsfield and EMI for inventing a new type of X-ray scanner for diagnosing brain disease. Computerised tomography, as it was called, was a stunning technical success, for which Sir Godfrey won the Nobel Prize for Medicine in 1979. Unfortunately EMI itself failed to capitalise on the initial investment - a classic last opportunity for British business - but medical equipment manufacturers overseas put CT scanners into production and the technology has benefited patients worldwide.

The 1973 winner was a more comprehensive failure: Dunlop's Denovo run-flat tyre. It was not exploited by Dunlop or by anyone else in the motor industry.

After making risky choices in the two previous years, the MacRobert evaluation committee played safe in 1974 and awarded the prize to ICI for a system that was already a proven commercial success cases for manufacturing town gas unrec-

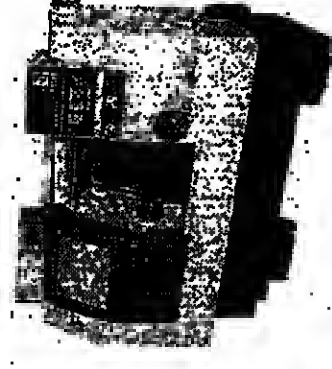
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Ingenuity: THE FT ENGINEERING REVIEW

MACHINE TOOLS

Just let the dears get on with it

John Dunn describes tools which are so reliable that they can be left unattended to cut metal all night if necessary, thereby doubling or tripling their productivity



Tornado 100 lathe, designed for small firms

With the basic CoroNet network installed, CoroPlan - "controlling everything Sandvik knows about cutting metal" - will plan the best way to do a new job and list what tools are needed and their settings. It will calculate a track to a second how long the job will take.

CoroFAS then takes over to look after all the tooling, ensuring that the tool room is told what tools to get ready for each job. It monitors tool inventory and tracks tools around the factory. Savings in tool stocks alone can pay for CoroFAS in a few months, says Swaffield.

Industrial will keep an eye on tool wear, automatically stopping a machine and changing the tool when it is due, or back to the system will, of course, send out part programs and collect data on machine utilisation.

When boiler maker Babcock Energy of Redruth spent £100,000 on a CoroNet DNC system to link up 18 machine tools, it paid for the system in just eight months from the savings it made by getting programs to its machines electronically rather than by paper tape.

"We only sell systems on the basis that industry, but this is project related and may not expose the academic to corporate management issues."

Improving engineers' communication skills is seen by Prof Chelmsom as particularly important because, he says, the shortage of such skills is often the reason why engineers lack the confidence to go forward into senior management.

He quotes the view of one senior UK engineering director who says he wants the education of engineers to enable them to thrive in groups that include lawyers, accountants and others.

What challenge, he says, is to find ways for engineering graduates to work in medium-sized companies - often seen as the UK's best growth opportunity - to participate more easily in engineering management courses. In particular, he says, the financing structure of grants for postgraduates puts an embargo on part-time programmes, but many engineers from such companies could not afford to be away from work full-time.

But Prof Chelmsom insists that there is already evidence of how engineers can reach senior positions in industry which do not necessarily involve engineering, at companies such as ICI and British Gas. "That could be more widely known," he says, "and might influence the selection of engineering as a potential career, and as a subject for study."

And, he says, "we have to be optimistic about the next five years, otherwise the last five have been in vain. There are signs that more and more companies recognise that an engineering degree should have a strong element of management."

We set the standards



The Engineering Council, which has 290,000 professional engineers and technicians on its register and 240 companies affiliated to it, sets the standards for the education, training and experience of engineers and technicians leading to the award of its titles: Chartered Engineer (CEng), Incorporated Engineer (IEng) and Engineering Technician (EngTech).

For information about the Council write to: Public Affairs, The Engineering Council, 10 Maltravers Street, London WC2R 3ER. Tel: 071 240 7881. Fax: 071 240 7517

designed out the need for maintenance by doing away with mechanical assemblies such as clutches and gear boxes and reducing the number of parts by over 40 per cent. Our machines now only need an hour's maintenance a week."

Les Pratt, general manager of Yamazaki Machines in Worcester, says the machine tool industry today is giving its customers far more value for their money. "They're buying a machine that in real terms is cheaper than 10 years ago. It will run longer with less supervision."

"It's faster and more accurate. But the problem remains that UK manufacturing industry is driven by the need for much shorter paybacks than its competitors. Payback is out of step with the operating life of a machine tool. As a result, industry is suffering from not replacing its ageing machine tool stock."

Next month Europe's largest lathe maker, the 80 Group, will unveil a new CNC lathe, the Colchester-Tornado. It will cost £25,000, almost £15,000 less than the old Colchester 80 launched a few years ago with a similar specification.

It is the outcome of extensive market research which showed that the drive by late manufacturers for more and more added value was pricing machines out of the range of small jobbing shops.

Colchester decided to design the Tornado down to a price - an hourly rate - that small firms could afford. "We're not introducing a cheap machine. It will cope with 95 per cent of the requirements of small engineering firms," says managing director Colin Gaskell.

"We've taken out the features that don't add to productivity. The average job shop doesn't want a third axis or live tooling. What they want, says Ryan, is low cost of ownership and until now none of the lathe makers has been addressing the small engineering firm sector. As a consequence, Colchester believes the Tornado will boost its low 5 per cent UK market share to 20-30 per cent within 12 months.

RECRUITMENT

Jobs: Companies are exploring new ways of using non-executive directorships to develop talent

Nursing time for boardroom babes

One of the most visible consequences of the Cadbury report on corporate governance has been the impact on the recruitment of non-executive directors.

The number of UK directorships within UK listed companies has grown markedly in the last year. Some estimates put the total at between 7,000 and 8,000. I have been unable to obtain a breakdown that shows how many individuals are sharing those posts but the ratio of jobs to people appears to be decreasing as it becomes less and less acceptable to collect them like scout badges.

Cadbury has opened a seam of lucrative business that the recruitment industry has not been slow to exploit. But the fees have to be earned and the Cadbury recommendations suggest there is room for new players to extend the range of suitable candidates.

If Cadbury's insistence that a non-executive director should add value to a company is to be taken seriously, it should spell the end for traditional methods of recruitment. The telephone call to a chum and a measure of gin and tonics over lunch at the club are becoming the exception rather than the rule.

"It is no longer acceptable for a company to approach its merchant bank for a recommendation. This is a serious appointment and should be treated seriously," says Sir Adrian Cadbury. "What companies need to do is to look at the board they have, set out the kind of back-

ground, experience and age of the person required, and ask themselves what is going to add value to the board. That focuses the search so they are looking for a particular kind of candidate."

The unfocused approach whereby a non-executive chairman might be recruited in the image of the chief executive can prove a dangerously comforting accompaniment to potentially disastrous decisions. How many times have non-executive directors failed to spot the danger signals? Delay or inaction was apparent in cases such as BCCI, Maxwell, Polly Peck, Tophook, Queens Moat and Spring Ram.

A more questioning approach in these cases may have stopped the rot at an earlier stage. The job can no longer be a free lunch in the diary taken in the spirit of acquiescence. In the US, the non-executive is termed an independent, and deservedly so, as he or she has helped to influence a series of celebrated boardroom oustings.

What makes a good non-executive director? Sir Adrian says: "You want people committed to the company but you want them to be questioning. It is knowing what question to ask and knowing how to engineer the answer that is important."

Where you should look may depend on how much you want to pay. Sir Adrian, chairman of ProNed, the former Bank of England non-executive selection operation

now joined with Egon Zender, the international headhunting firm, says that typically ProNed would supply five or six names that fitted the specification. Since they are drawn from a list of people willing to serve on boards, the company can make an initial choice without causing embarrassment.

Avoiding embarrassment, a peculiarly British disease, is still an important selling point for services such as ProNed. Headhunting companies are also aware of the pitfalls, but the desire for complete discretion, like the old boys' network, may be fading.

The Institute of Directors maintains a register of 3,000 names, mainly of people in executive or executive chairman posts. Guided by the client's specifications, names are sifted from a database. "This method means that most of these people will have no connection with the company," says Alex Lamb, head of board development at IOD.

True independence, prized by Sir Adrian, is an ideal that still has some way to go to overtake reality but changes appear to be accelerating. Colin St Johnston, the managing director of ProNed, says that 80 per cent of all listed companies had non-executive directors at his count last June and he believes that proportion may have increased.

While 12 years ago, when ProNed was formed, some 80 per cent of non-executives would have had some previous connection with the company, that figure is now nearer 20 per cent.

"There is still a long way to go to ensure the selection process is thorough and professional and does not use various networks," says St Johnston. "But the biggest companies are now being much more thorough and it is no longer good enough for the board to write down names of people considered appropriate."

Inevitably, many lists begin to look familiar, but there are new initiatives that may help break up the non-executive merry-go-round by applying more imagination to the selection process.

Hanson Green, a headhunter specialising in the non-executive market, has set up the Annexe Scheme, a sort of kindergarten for independent directors, drawing promising young executives from leading companies and placing them in non-executive boardroom positions.

The client in this case is not the company that receives the appointment, but the provider company which pays a £10,000 fee. "For this and the sacrifice of perhaps 12 days a year, they are able to provide the sort of practical boardroom experience for their most promising people in a completely different corporate cul-

ture," says John Brill, of Hanson Green. While the hiring company will not have the experience of an old hand, it will gain enthusiasm and a fresh approach from a talented individual who will typically be a managing director of a subsidiary.

The Annexe scheme is breaking the mould, claims Brill, providing access to relatively unknown people who are not quite ready to move up from subsidiaries but who have sufficient experience to attract attention within a large group.

The suppliers can be enthusiastic recruiters too. Shortly after Hanson Green placed Harry Richardson, a director of EDS Scicon, part of Electronic Data Systems the information technology company, at Fleicher King, the publicly quoted firm of chartered surveyors, Mark Skelchey, the corporate finance director at Robert Fleming, was given a non-executive directorship at EDS Scicon. Annexe has about 50 candidates on its books and has placed about 20.

If Annexe is a nursery, then an even newer organisation called Prowess is perhaps offering something nearer a baby-walking service in terms of status and youth (some of its candidates are barely 30), although that fails to reflect the quality of learning experience it provides. Prowess works on a subscription basis. For about £10,000 a year, companies join

something like a club which enables them to farm out those with fast track management potential to non-executive positions in other companies or in the public sector. National Health Service Trusts are an enthusiastic supporter of the service.

Organisations such as British Airways, Cable and Wireless, Kingfisher, Ernst and Young, the NHS and the Department of Employment are sponsoring the scheme and others have expressed interest.

Mark Scott, financial director of Prowess, sees the organisation as helping to extend the pool of potential non-executives of the future while broadening the experience of young executives. It has also specifically looked at women and ethnic minorities which Scott believes are pools of under-utilised talent.

Prowess emphasises that, unlike Annexe, it does not place individuals, but handles the recruitment requirements of sponsors by tapping the talent of other sponsors. If specifications cannot be met by that method, it employs executive search.

The importing company then pays a recruiting fee of 30 per cent of the intended director's salary. Prowess is in a different market from the top search companies who might charge £30,000 for placing a non-executive director - a very large proportion of salary. Prowess's service is cheaper, about £15,000 for each non-executive.

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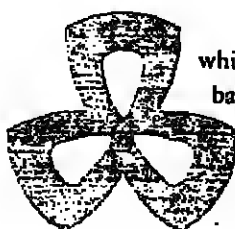
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Please write enclosing a comprehensive C.V. to:

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Ingenuity: THE FT ENGINEERING REVIEW

DIESEL ENGINE WARS

Perkins, Cummins take off the gloves

US engine makers' British subsidiaries use contrasting tactics in their contest for sales of the smaller range of diesel power packages

It is hard to show anyone interested in seeing world class manufacturing around our plant," says Mr. Tony Gilroy, chief executive of Perkins, the Peterborough-based diesel engine producer. "Except Cummins of course," he adds with a grin.

The feeling is mutual some 160 miles north at the Cummins engine plant in Darlington, which Mr. Denis Welch, plant manager, believes can show competitors a thing or two.

The two plants are the biggest producers of diesel engines in the UK, and compete directly at the smaller end of the market. Each plays a vital role in the worldwide competitive battle that pits Indiana-based Cummins Engine and US-owned Perkins against each other and a handful of other big US, European and Japanese producers. The history, appearance and size of the plants is very different - the Perkins plant opened in 1967, so looks older and still employs 2,700 overall. At Darlington, Cummins only began manufacturing in 1985 and its peak output is 8,000 engines. It is involved in UK manufacturing since 1979, but there is one striking similarity: although the starting points may have been different, both plants have been through considerable upheaval over the past three to four years.

In particular, there has been a fundamental cultural change based on teamwork and "empowerment" which encourages the workforce to think for themselves and make suggestions. "People are paid to improve the business, not just perform to the status quo," says Mr. Welch.

At both companies, the concept of "customer-led quality" has been adopted with enthusiasm - and an acceptance that competitive pressures in the industry make the need for continuous improvement imperative.

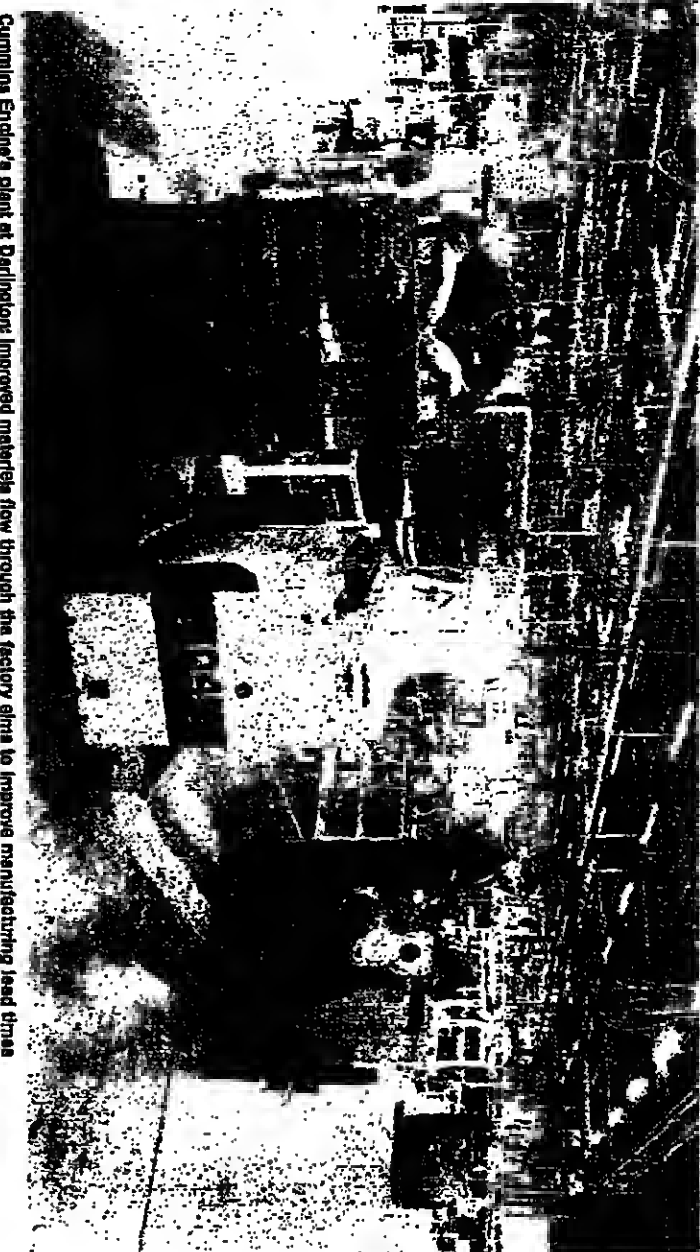
The transformation of the two plants has been observed by the UK diesel engine manufacturing industry in great detail. It is alive and kicking," says Mr. Allen Barnard, an industry consultant. It is significant that Cummins has made the UK a major focus of its future plans, with a new plant in the UK, due to open in 1997.

The achievements of the industry are all the more remarkable because of the complexity of diesel engine production. At Peterborough, Perkins has more than 13,000 part numbers and at any time 8,000 part numbers will be going through the production system, says Mr. Miles Coleman, general manager for manufacturing at the main Perkins Engines (Peterborough) business unit.

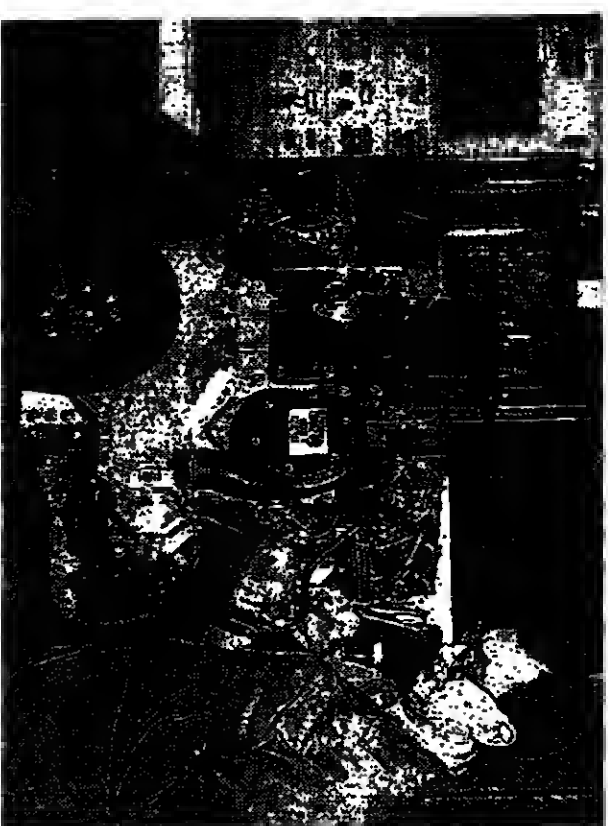
It is mass production, but flexibility has to be built-in too. Perkins produces 720 engines a day at Peterborough with an average batch size of five, says Mr. Gilroy. At Darlington, meanwhile, there are 1,800 "five" engine specifications and 320 specification alterations a month, says Mr. Dave Womersley, manufacturing manager. In 1990, the plant only handled 54 specifications, showing how customer demand has changed.

Production levels also vary widely, requiring action to ensure plants stay profitable at lower capacity usage levels. Cummins has a policy of "one day inventory" but Mr. Welch says the company has been able to reduce inventory by as much as 15 per cent from the previous three months.

At Cummins, what Mr. Welch calls the "major vehicle for change" has been the so-called Cummins Production System, a system of improved material flow through the factory which aims to reduce manufacturing lead times by shortening production routes and to eliminate waste through Japanese-style Kaizen or continuous



Cummins Engine's plant at Darlington improved materials flow through the factory since to improve manufacturing lead times



Perkins Peterborough plant, opened in 1967, makes 720 engines a day in batches of five

improvement methods. "Continuous improvement means postponing perfection," says Mr. Welch. The system uses the guiding principle that the customer is always right, which are translated into 10 principles to help improve performance. They are:

- "the customer comes first"
- "quality in everything we do"
- "people make the difference"
- "education and training are the foundation for improvement"
- "we are in it for the long haul"
- "in production terms, the specific aim was to iron out bottlenecks which were restricting output to nine or 10 engines an hour."

"We said, 'what do we have to achieve to get production up to 16 an hour?' says Mr. Welch. The system has reduced the average throughput time from 45 days to three days since 1988, and Mr. Womersley is looking for a further 30 per cent improvement over the next 18 months. The 16-hour green-hour target has been achieved, and installed capacity has been improved from 60,000 engines a year to 85,000.

Darlington is essentially an assembly plant and Peterborough has historically been a great deal of its own machine building. As a result, it decided to focus only on manufacturing, leaving the better than outside engineering to do.

The result, says Mr. Gilroy, was the sale of all manufacturing of parts such as flywheels and manifolds, which are still produced in Peterborough by Perkins. Cummins, a Tynes Lloyd unit, Perkins still machines basic parts such as engine blocks and cylinder heads. This was followed in 1991 by a major total quality initiative. That was a relatively

employment from four to two.

A larger section of Perkins for the assembly of engine blocks has seen employment fall from 17 to 14, while quality and productivity have been enhanced through a computer-based system that shows workers which parts to use and makes it easier to cope with mixed production runs. Cummins also uses error-proofing techniques to ensure flexibility is not compromised by lapses in assembly.

Significantly, both companies say that no worker will lose his or her job because of the improvement programmes - although there may be other reasons such as market conditions.

This is a vital pledge. Not only does it help smooth the path to improvement in heavily unionised environments, it could also be one reason why the workers at both plants are willing to make suggestions for improvement.

Both companies have spent heavily on training as part of the cultural change programmes. In an effort to maximise employee involvement in the business, as Mr. Gilroy puts it, to "change attitudes so that workers can feel they are making a contribution to the business."

Perkins has a "quality circle" system, which encourages quality and innovation. At the same time, every thing they do is subject to a standardised system of metrics to measure, and special awards for excellence.

By trying to achieve true teamwork, the payoff comes from suggestions made by the teams, who are often in the best position to make them anyway.

At Cummins, workers on the oil cooler assembly section worked out a simple, portable system to identify the right parts for each different unit. The parts, which were sorted out on racks to reduce errors and improve stock rotation. There have been many such "low-cost or no-cost" improvements, says Mr. Womersley.

At Perkins, says Mr. Coleman, "we are encouraging and helping into people's suggestions." An example was a suggestion last year from a 19 team for handling to be used on engines, resulting in an often difficult to read entry card.

Another example quoted proudly by Mr. Gilroy involves a supplier's worker drawing up a process map for engine production that covered an entire shift. This was the basis for a successful initiative simplifying the map.

As for results, sales per employee have risen markedly. At the Cummins plant they hit their peak. At Perkins, sales per employee rose from £7,000 to £16,000 in 1993. And neither company is resting on its laurels.

Andrew Baxter

PROFILE: DERTEND PRECISION CASTINGS

Foundry finds a giant niche

DPC tells Paul Cheeseright what was involved in its decision to switch to the heavy castings market

Dertend Precision Castings has been looking for size and not just in the normal corporate sense of expansion. Rather it has sought and found the ability to cast ever larger components for use in power station turbines.

Production of these large components by investment casting, as opposed to fabricating or forging, is what earns it a specialist market niche. Plenty of companies can cast the small components but, says Mr. Paul Farrow, managing director of DPC, "there is only one other site in the world capable of casting large castings," and that is in the US.

This concentration on the heavy component end of the turbine market is of relatively recent duration, but in some respects it has served the company. DPC has been a privately owned since 1986 and a leader in UK investment castings. By the late 80s it was under threat.

"We were up to our ears in cheap products. You're not going to get the big castings with a machine which is a high entry cost," said Mr. Farrow. At the same time the company "perceived a requirement for large investment cast components for the industrial gas turbine which would substitute for forgings and fabrications."

The market analysts went further. It forecast that, with any peace dividend, there would be problems with sales to the defence and aerospace industries. So there was a case for trying to shift the direction of sales. The share of the industrial turbine makers in DPC's customers has risen to 85 per cent from 48 per cent in 1988.

Supplying the industrial turbine market has been a local point of DPC's investment casting. DPC acquired DPC in 1989 and its power division, of which DPC is a part, has consistently raised profits. DPC's own sales have been on a steady upward trend as the power business proved almost irresistible to recession.

DPC had annual sales of £7m in 1988, just before the Triplex Lloyd takeover. In the year to March 1993 sales were £13.5m and for the financial year just ended they will probably turn out to be about £12m.

The way the activities of the group have been split has proved to be crucial in the long term. The power division, which uses the very large vacuum casting, it has 100 per cent but at the level of the smaller castings it shares drops to 15 per cent. The larger products now account for 80 per cent of DPC's business.

The cost of this switch in the emphasis of DPC's business so far has been slim on equipment with another £1m left to spend and between £1.5m and £2m on product development. This enabled it to handle castings weighing up to 500 kg, compared with only 30 kg previously.

To handle such heavy castings, a fresh approach to the making of the wax moulds into which the metal is poured has been required. Larger furnaces have been needed. Because the weights involved have increased there has had to be a greater reliance on robotics. The creation of larger and larger castings has meant that strains in the metal alloys different from those in smaller components, have needed new metallurgical techniques.

With the new equipment, DPC will be able to push its sales up by 50 per cent in a year. But the arrival of new equipment has meant changes to its investment casting. DPC's plant in Darlington, which has been manufacturing since 1986, has been redeveloped, and Barry Hill, half a mile distant, where finishing takes place and support services are situated like other engineering companies, DPC has closed its move to new products and new techniques with a change in manufacturing organisation. At Vinas adopted cellular manufacturing. At Vinas

Ingenuity: THE FT ENGINEERING REVIEW

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Monitoring the performance of existing investments.

Applicants should be graduates with strong financial and analytical skills, gained either in accountancy or an analytical role within a bank. Fluency in a European language is essential; French and German are of particular interest. The successful candidate will also have strong written and oral communication skills.

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Lloyds Private Banking Ltd is a leading provider of private client asset management services. Funds under management, including holdings of over £3 billion in UK equities have increased rapidly in recent years.

We now require an additional Equity Analyst to join the Research Department in Haywards Heath. Reporting to the Senior Manager (Investment Services) the successful candidate will be responsible for coverage of a significant part of the UK equity market and will be expected to make a contribution to the determination of overall policy.

The position is a demanding one and we are looking for the following characteristics:

- ◆ A minimum of 5 years experience in an equity research background together with an appropriate professional qualification.
- ◆ Capable of working as part of a tightly focused team.
- ◆ An effective and persuasive communicator with good presentation skills.
- ◆ Experience in technical analysis and computer literacy would be an advantage.

The position will carry a competitive salary, related to experience, plus a full package of valuable benefits.

Candidates with relevant experience, who are unlikely to be less than 25 years of age, are invited to apply by 11th April 1994 to:

Mrs Sharon Ault, Personnel Manager,
Private Banking & Financial Services,
Capital House, 1/5 Perryman Road,
Haywards Heath, West Sussex RH16 3SP.



Equity Market Data Specialist

Excellent package + banking benefits

City

Our client is one of the leading global investment banks. A Data Research function has been formed in the firm as part of a global initiative to emphasise the importance of information management to the firm's business operations. It has been tasked to look at new database development, logical database design, data collection, quality control and general data management. As part of its continued expansion, it now seeks an outstanding professional as Equity Market Data Specialist to be a key member of the team.

Reporting to the Head of Data Research Group in Europe responsibilities will include:

- Analysis of data requirements and data management needs of the equity business areas.
- Making recommendations on database development strategy for data systems.
- Help develop and give direction to a high profile team of market data specialists.

Candidates will ideally be from a quantitative, research or technical background. They must have a thorough understanding of all front and back office operations, from origination to settlements procedures, particularly with regard to equity and equity derivative securities. Experience of trading analytic systems, logical database design and market data systems are all essential. You will also have some systems development experience and exposure to distributed systems management. He/she must be able to communicate effectively with senior management across many business areas.

For the suitable candidate the rewards are substantial, including a competitive base salary, performance related bonus, car scheme and banking benefits. If you believe you have the required skills and experience for this significant role, then please send your CV to the advising consultant, Jonathan Kidd, at Harvey Nash Plc, Dragon Court, 27-29 Macklin Street, London WC2B 5LX. (Telephone 071-333 0033). Please quote reference HNF107.

HARVEY NASH PLC

JAPANESE EQUITY SALES

City

c. £60,000
+ Performance Related
Bonus



The London office of a specialist international financial institution is looking to expand its Japanese Equity Sales desk. An urgent need has arisen for two highly motivated salesmen to join the team.

Reporting to the Managing Director, you will be responsible for marketing a full product range to institutional investors in the UK and Europe.

The ideal candidate will have a minimum 3-5 years relevant selling experience, covering a range of products. Excellent communication and presentation skills are essential to be successful in this highly competitive market, as is the ability to demonstrate an excellent track record of developing profitable client relationships.

The package on offer is negotiable and will fully reflect the importance attached by the company to these appointments.

Candidates who feel they have the right background and would like to find out more about this interesting opportunity should contact Jonathan Cohen or Stuart Norbury on 071-629 4463, or write enclosing a detailed CV to the address below. (Fax: 071-629 3954).

HARRISON WILLIS
CITY

Cardinal House, 39-40 Abchurch Lane, London EC4N 3FD. Tel: 071-629 4463

GENERAL INSURANCE ACTUARIES WITH A EUROPEAN ROLE

Our general insurance consulting business throughout Europe continues to grow and we need additional experienced people to join our non-life consulting practice.

The practice operates throughout the whole of Europe and an enthusiasm for travel is essential. We are looking for people who are fluent in English and either French, Italian or Spanish. Your base could be London or Madrid, Milan or Paris.

You will have a minimum of 3 years' experience of general insurance business and a recognised actuarial qualification.

Our clients include most of Europe's leading insurers and related financial institutions, and you must be capable of operating at senior level in those companies; our reputation for outstanding actuarial work is second to none but it is our ability to analyse, interpret and present its consequences that continues to win us new clients.

Tillinghast rewards achievement and the opportunities for successful consultants are generous; a first class remuneration package is available - including a substantial performance-related element.

To discuss informally, please contact Caroline Baker or Clare Desmond on 44 71 379 4411 during working hours, or 44 71 281 9119 evenings and weekends. Alternatively, send a copy of your CV to us at Castlewood House, 77/81 New Oxford Street, London, WC1A 1PX.

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Philip Wrigley on
071 873 3351

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Exceptional opportunity within fund management

Our client is a major internationally known US name whose London based asset management team has an excellent record in managing fixed income funds for institutional clients and mutual funds. With sophisticated techniques and supported by the resources of a major financial services organisation they are poised for substantial growth in funds under management and seek two additional fund managers.

Candidates should be graduates, in their mid 20s to 30s, with a demonstrable track record in the global fixed income markets. Experience could have been gained within research, proprietary trading or fund management but essential criteria include strong analytical skills, strategic thinking ability and team orientation.

It is likely that these roles will appeal to highly motivated individuals who seek the opportunity to make a notable contribution in a professional team. Base salaries and bonuses will be highly competitive and the scope will be considerable in this fast growing dynamic business.

For an initial discussion in confidence please contact us quoting reference 4795 at 20 Cousin Lane, London EC4R 3TE. Telephone 071-236 7307 or Fax 071-489 1130.

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A STEPHENS GROUP CONSULTANCY
London Edinburgh New York Hong Kong

EMERGING MARKETS SEARCH & SELECTION

INVESTMENT ECONOMIST

LONDON

Our Client wishes to appoint an Economist, ideally with broad experience of the Emerging Markets, to join a successful, growing team within the Bank.

The appointee will be responsible for:

- Investment analysis of debt instruments.
- Macro economic analysis of fundamentals.
- Detecting arbitrage opportunities and anomalies in debt instruments.
- Producing research material and providing investment recommendations for distribution to investors.
- Presenting investment advice to the Bank's clients.

Candidates must be innovative, have at least three years relevant working experience, first rate written and oral communication skills, and a strong grounding in international economics. Knowledge of Brady and pre-Brady countries, whilst advantageous, is not essential.

Please send your CV in complete confidence to:

David Williams, Director
Emerging Markets Search and Selection
29 Masons Avenue London EC2N 5ST
A Division of Global Markets Recruitment Ltd
Tel: 071 690 4744 Fax: 071 690 4717

HILL SAMUEL
would like to speak to individuals with financial backgrounds/experience with a view to, after suitable training, selling our range of investments and Estate Planning Services to both private and corporate clients.
Please write to or phone:
Peter Simon, District Manager,
29 Queens Avenue Gate,
London SW1H 9BU Tel: 071 799 2223

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Philip Wrigley on 071 873 3351
or Gareth Jones on 071 873 3779

GENERAL MANAGERS SITE MANAGERS PRODUCTION MANAGERS and MAINTENANCE MANAGERS

The ideal candidates should have a sound knowledge of the cement, concrete or related industries or have sound experience from the heavy or mining industry. Working experience in the Middle East countries or related to these countries will be a great advantage.

An Engineering and/or Business degree will be a prerequisite. Relocating and adapting to the Middle Eastern countries is a given and therefore is fluency in French and/or English necessary, with Arabic as an advantage.

Please send your application to the following address:

"HOLDERBANK"

«Holderbank» Management & Consulting Ltd.
Management Services
CH - 5113 Holderbank/Switzerland
Att: Mr. Otto Jäggi
Director of Corporate Management Development

University of St. Gallen

The University of St. Gallen for Business Administration, Economics, Law and Social Sciences in Switzerland has an opening starting October 1, 1994 for a

Professorship in Internal Auditing and Management Accounting

As a leading business school in Europe we are looking for an established male or female personality for a professorship in the field of internal auditing and management accounting. The professorship may be split in two part time assignments.

Candidates holding a PhD and a CPA, CMA or equivalent degree with a significant international experience are invited to apply by April 30, 1994 to the President of the University of St. Gallen, Prof. Dr. Georges Fischer, Dufourstrasse 50, CH-9000 St. Gallen.

Development Position to £25k Oxfordshire

Very strong 7+ years Windows Development skills including SDK, DDK, MDK; 3-5 years experience Wang Imaging development skills including Wang VS and OPEN/Image; Visual Basic skills an advantage; 2+ years experience GUI design and usability analysis including walk-through testing skills; strong communication skills; must be fluent in English.

Apply in writing to ref: AKU/101 Papirus Limited,
16b Ambrose Rise, Wheatley,
Oxon OX33 1YF, England.
(no agencies)

INVESTMENT CONSULTANCY**OPPORTUNITY WITH A MARKET LEADER**

Stamford Associates is a leading investment consultancy firm with an enviable clientele of UK pension funds and other institutional investors. We are seeking to recruit a consultant to cater for the continuing expansion of our business.

The successful applicant for the consultant position will be a graduate with at least five years previous experience of actuarial and investment consultancy. Strong analytical and quantitative skills are essential requirements combined with the highest standards of commitment to client service. An uncomplicated personality, high level of energy and the ability to communicate effectively are also essential.

For the appropriate candidate an attractive package, based on a generous salary, will be awarded. We offer a rare opportunity with superior career prospects.

Please apply in writing, stating current salary, to:

Mrs Wendy Mayall
Stamford Associates (UK) Limited
International House
1 St Katharine's Way
London E1 9UN

STAMFORD ASSOCIATES (UK) LIMITED

**IMPORTANTE ORGANISATION
PROFESSIONNELLE EUROPEENNE**

recherche pour son secrétariat à Bruxelles,
employant une cinquantaine de personnes, un (m/f)

**SECRETAIRE
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Profil : ■ âge : 35 à 45 ans ■ formation universitaire (droit-économie-agronomie) ■ bonne expérience des institutions et des politiques communautaires (notamment dans le domaine agricole et alimentaire) ■ maîtrise (écrite et orale) du français et de l'anglais et au moins une autre langue (allemand, italien, espagnol) ■ bon gestionnaire.

CV et lettre de motivation à faire parvenir - pour le 5 avril au plus tard - Bureau de poste Bruxelles 49/B.R. 70, 8 rue Belliard, B-1040 Bruxelles.

Pour tout renseignement, téléphoner au 39-2-287 27 28 (Bruxelles).

**NEW BANKING OPERATION
EMERGING MARKETS**

As part of its overall strategy of international growth, this well respected and profitable Latin American bank is in the process of establishing a London branch. The London operation will be the centre of the bank's development in Europe, expanding its wholesale market trading and adding value to the financial engineering and risk management capabilities of the bank as a whole.

To effect start up we are now recruiting key individuals for the following positions.

Head of Treasury

You must have experience of developing FX, MM and off-balance sheet strategy. Broad exposure to all parts of the treasury function is necessary. Capable of building a dynamic treasury function, you must be a team player who will contribute substantially to overall trading profitability.

Ref: 3382/T

Senior FX Trader

An experienced dealer with at least five years' FX experience in US\$/£, US\$/DEM and US\$/SF, you will be a technical trader used to working within a tight stop-loss policy. You must be capable of making significant input to the bank's trading strategy.

Ref: 3382/F

Senior Bond Trader

A self-motivated graduate with in-depth Eurobond experience, including CD's and short term ECP's, you must be able to propose and manage an interest rate hedging strategy.

Ref: 3382/B

Head of Operations and Accounting

You should be a graduate ACA with several years' accounting, settlement and systems experience. You must be used to working in a highly automated environment, with a bias towards treasury and capital market activities. Team management ability is mandatory.

Ref: 3382/O

IT Systems and Support

With at least two years' network administration experience (Novell/Ethernet) in a UNIX environment, you will also have experience of running a commercial installation and knowledge of at least one PC development tool. Experience of dealing with suppliers is essential. Knowledge of Reuters and dealing room technology would be helpful.

Ref: 3382/I

Senior Settlements Clerk

You will have solid FX, MM and off-balance sheet settlements experience, using highly automated systems and including Swift and Euroclear. Supporting the Operations Manager, you must be able to work closely with the dealing room.

Ref: 3382/S

Other back office and support positions will also be available.

Ref: 3382/G

Suitable candidates must have international banking experience, be team players and interested in emerging markets. Salaries are negotiable, according to relevant experience and in line with appropriate market levels. In addition, the usual banking benefits will be offered.

Interested candidates should send an up to date CV, including daytime telephone number and current remuneration details, quoting the appropriate reference, to Sue Atkinson, at Touche Ross Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.



MANAGEMENT CONSULTANTS

**Touche
Ross**

Executive
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GENERAL MANAGER**INTERNATIONAL BANKER
INTERNATIONAL FINANCIAL
SERVICES CENTRE****DUBLIN**

Our client, the financial services arm of a major blue chip multinational firm has retained MERC Partners to recruit a General Manager for one of its operations in the Dublin International Financial Services Centre.

Reporting to the Chief Executive, the General Manager will be responsible for the overall conduct of the institution's business within established guidelines. The person appointed will be a member of the Asset and Liability Committee and the Credit Committee.

The successful candidate will be an experienced international banker with demonstrated skills in credit and marketing together with leadership, communication and administrative abilities. Direct experience in the management of credit, interest rate and foreign exchange risks is essential. A working knowledge of treasury/liquidity management in European financial markets and of loan and derivative products documentation is required.

The person appointed is unlikely to be less than 45 years of age. The position which is a challenging one, will offer an attractive salary and benefits package.

Please write - in strict confidence - enclosing a curriculum vitae and quoting reference number 94324 to:

Brian G Ward
MERC Partners
Number Twelve
Richview Office Park
Clonsilla
Dublin 14
Fax: 010-353-1-283 0560



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MOORGATE INVESTMENT MANAGEMENT LIMITED**Trainee Investment Manager**

An opportunity exists for a trainee investment manager within Moorgate Investment Management Limited.

Candidates should:

- be graduates aged early to mid 20's
- be numerate, with the ability to communicate effectively both verbally and in writing
- have the ability to work as part of a small, highly focused and experienced team in an expanding and highly regarded organisation

The position offers a highly competitive remuneration package as well as the opportunity to use your initiative and to gain experience in UK smaller companies fund management.

Moorgate Investment Management Limited is one of the UK's leading independent investment houses specialising in investment in UK smaller quoted companies and manages assets in excess of £250m.

Please send full curriculum vitae together with details of current remuneration package to Anthony Simmon, Managing Director, Moorgate Investment Management Limited, 49 Hay's News, London W1X 7RT.

**24 HOUR DEALING**

EffeX International is a personal and dynamic FX trading and currency management facility that combines: highly competitive and effective trading with speed and personal attention to detail. EffeX, linked to the world's major dealing rooms by open telephone and facsimile lines, supported by the best research and technological back-up, and staffed by the most talented FX people in the business. EffeX, providing an exceptional service.



London Oslo Stockholm



To expand our highly successful team, we require:

2 Senior Foreign Exchange Dealers

Background: proven top performer in the major bank interbank market, well educated, responsible, positive, dynamic - **Age:** 30-40 - **Position:** working directly with the Managing Director to play a key part in the Company's development - **Rewards:** these are major appointments and the remuneration will reflect this fact.

PR Manager

Background: skilled agency/client internal and external PR/marketing professional, well educated, good communicator, responsible, positive, ability to copywrite - **Age:** 28-35 - **Position:** working directly with the Managing Director and the Advertising Agency to develop the Company's internal and external profile - **Rewards:** c £23,000.

In the first instance, please write to:
Managing Director, EffeX International Investment Limited,
Burghly House, 28 Tavistock Street, London WC2E 7PH.
Telephone: 071-240 3639 Fax: 071-240 3601

**CONTROL
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Management Consultants
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London Management Consultancy seeks experienced professionals with expertise in the following areas, for work in temporary consulting assignments:

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Interested applicants, please contact Control Associates (UK) Limited on 071 929 5252 or alternatively send your Curriculum Vitae to us at our address:

Guild House, 36-38 Finchchurch Street,
London EC3M 3DQ
Or Fax us in confidence on 071 283 4466.

UK EQUITIES

Young experienced Market Makers required to join an entrepreneurial medium sized integrated securities house. Reply with full C.V. in strict confidence to David Miller, quoting reference DM/ILYC.

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APPOINTMENTS WANTED**ENTREPRENEURIAL
YOUNG SCOTT**

college educated/computer literate and currently working in the financial sector, with two years experience, seeks employment in the stockbroking/fund management industry.

Apply to Box: B2380, Financial Times, One Southwark Bridge, London SE1 9HL.

**ITALIAN
MANAGING DIRECTOR**

... currently working for a manufacturing company with operations in Europe, Middle East, South America and South Africa and a network of distributors/agents covering the rest of the world seeks challenging role in London/South East. International experience gained in retail and leisure, besides manufacturing. Fluent Italian/English, good French, basic Spanish and German. Write to Box: B2313, Financial Times, One Southwark Bridge, London SE1 9HL.

CORPORATE FINANCE EXECUTIVES

"A partnership for success"

September 1993 marked the beginning of a partnership between Charterhouse, CCF and BHF-BANK that created an investment banking business centred on Europe but with operations throughout the world.

The opportunities for business arising from the combination of three leading European financial institutions are substantial. The partnership views the whole of Europe as its domestic market, whilst each member of the partnership seeks to preserve its own independence and character in its home market.

Our corporate Finance Department advises rapidly increasing number of companies in the UK and overseas and, as a result, we are seeking additional executives with at least one of the following criteria:

- Recently qualified accountants with commercial experience
- MBA graduates with financial experience
- Graduates with 2-5 years experience within corporate/investment banking

Proficiency in French and/or German, whilst not essential, would be an advantage. Equally important is the potential to progress in parallel with the business. Remuneration will not be a limiting factor in attracting the right candidates.

If you want to be part of this partnership then write enclosing a CV detailing current compensation to Keith Robinson, Charterhouse Bank Limited, 1 Paternoster Row, St Paul's, London EC4M 7DH.

CHARTERHOUSE

Charterhouse Bank Limited, 1 Paternoster Row, St Paul's, London EC4M 7DH.
Charterhouse Bank Limited is a member of The Securities and Finance Authority.

FIXED-INCOME DERIVATIVES

A major international securities house, headquartered in London, is looking for derivative specialists to fill Sales positions. We seek a specialist with a minimum of 2 years experience in the bond markets and a demonstrated record of success in European markets. The ideal candidates should have a thorough understanding of options theory and have strong communications skills. Fluency in at least one European language is highly preferred.

Write to Box B2383, Financial Times,
One Southwark Bridge, London SE1 9HL

Young, dynamic, City-based private client brokerage seeks intelligent investment analyst to join its expanding research team. Candidates should be degree qualified and have at least two years experience in a UK equity analysis role. Salary Neg.

Applicants should send CV and covering letter to:

Chris Barnes,
Financial Management
International, 4th & 5th
Court, Newcomer Street,
London SE1 1YT.
Tel. 071 403 3212

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Capitalising on its recent merger with the world leader in public financial training services, DC GARDNER is now spearheading the growth of its highly successful bespoke consultancy and training service to the international financial community.

REQUIREMENTS

- In-depth front-office experience of the main international capital markets and treasury products, including derivatives.
- The personal credibility, energy and enthusiasm to communicate technical know-how to clients in an authoritative and professional manner.
- The intellect and sensitivity to conceptualise, create and deliver highly structured training programmes to audiences of varying backgrounds and levels of expertise.

These positions are likely to appeal to self-motivated finance professionals wishing to embark on a POSITIVE CAREER CHANGE in order to capitalise on their previous market experience. They must demonstrate a high degree of self-reliance and strong business sense, a keen commitment to research and development and the personality to motivate and influence others.

International experience, foreign languages and an enthusiasm for overseas assignments are of particular value, as is the ability to think laterally and prioritise in the face of tight deadlines.

The ideal candidate is unlikely to be under 30 years of age but professional credibility and excellent presentation skills will be the deciding factor for appointment.

The total compensation package on offer will include an attractive salary, performance-related bonuses, and private health insurance.

Please reply in the first instance to: Nicky Messing, DC GARDNER, Nestor House, Playhouse Yard, London EC4V 5EX.
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ANALYST

Business Systems Group are a leading I.T. Solutions Provider within the M25. We are expanding our successful Trading Systems Division to further enhance our Analytical and Consultancy Service. We need two analysts immediately.

Ideally you are aged between 22 & 40, you have a sound knowledge of the Financial Trading Market - Equities, FOREX or Derivatives/Futures.

In the first instance write enclosing full C.V. to:

Mike Reaney,
Business Systems Group,
94 White Lion Street,
London N1 9PF

or phone him for further details on
071 278 8888



PROJECT DEVELOPMENT ASSOCIATE

With around \$11.5 billion in assets Enron Corp is one of the world's largest integrated natural gas companies and is a leader in gas fired power generation. Enron Development Corp. is the division responsible for developing new power and gas infrastructure projects outside of North America.

The company is seeking a Project Development Associate to assist in the development of large scale projects in Europe and the Middle East. Based in London, reporting to the Managing Director, the Associate will help analyse project feasibility, and help structure technical, commercial and financing aspects of projects. Particular emphasis will be placed on developing economic models (lotus spreadsheet based), which requires working knowledgeably with experts from engineering, tax, finance and other speciality areas. The position will lead to expansive career opportunities.

A highly motivated, self starter, the successful candidate is likely to possess an Engineering and/or Business degree with a minimum of 2 to 3 years experience in finance or industry.

Enron offers a progressive salary and flexible benefits package which includes pension, medical and dental cover and a share ownership plan. Interested parties should send a detailed CV with current salary to Human Resources, Enron Development Corp., 34 Park Street, London W1Y 3LE.

ENRON
Development Corp.

* Incorporated in the U.S.A. with Limited Liability

SENIOR CUSTOMER ACCOUNT MANAGER

European Sales Headquarters

Brussels

The Regional Headquarters was established last year to co-ordinate this Group's sales throughout Europe. A Senior Customer Account Manager is required to take charge of all credit risk assessment and administration for the customer base which includes substantial national companies and multinational groups of companies spread across Europe.

The ideal candidate will have the communication skills to deal with senior management in the company's subsidiaries and to be able to negotiate with the larger customers and financial institutions. The successful candidate will be a motivated self-starter who will be capable of working in a team environment.

The candidate will head the department responsible for monitoring the collections of over 3,000 invoices per month from some 500 customers spread throughout Europe.

The credibility to establish a discipline of credit management procedures and the experience of risk assessment of large international companies and groups are essential.

This is a senior management post and the successful candidate is unlikely to have the required experience and credibility with less than 7 years relevant experience, either in a similar commercial environment or as a senior loan officer in an international bank.

Fluency in English and French is essential with other European languages being advantageous.

The company is offering a competitive package and a challenging career for the right candidate.

Please send CV and current remuneration details to the attention of J. Allan, Box 2317, Financial Times, One Southwark Bridge, London SE1 9HL.

Treasurer

A demanding financial services appointment

To £50,000 + Bonus + Quality Car Yorkshire

Our client is a highly-successful 'top 250' financial services plc with growing interests in consumer finance and insurance.

As a result of internal promotion a Treasurer is now to be appointed to take control of the treasury function. The principal elements of this job are the development and management of diversified banking and funding arrangements, the implementation of appropriate risk management strategies to minimise interest costs, and the development of investment strategies for the insurance funds.

The successful candidate will be an experienced treasury professional, a graduate, probably with a further qualification in treasury or accounting, and have wide experience of arranging and managing large borrowing facilities to minimise interest costs. Detailed knowledge of the banking and

derivatives markets and fixed interest management is essential.

This is a key appointment within the group, reporting to the Group Finance Director, and success requires an ability to negotiate effectively with the group's bankers and advisers, and to present treasury issues clearly and effectively within the senior management team.

An attractive salary will be supplemented by a benefits package which will include bonus opportunities and a fully-expensed car. Assistance will be given with relocation, where appropriate. Further career opportunities are excellent.

If you wish to be considered for this appointment, please write - in confidence - enclosing a CV and details of current remuneration to Douglas Austin, Ref: A22D08, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

Head of Audit

To £60,000 + Car

Major British plc

This major British industrial group is a household name, whose extensive network of production and distribution businesses spans the globe. By an emphasis on quality, customer service and investment in the latest technology, our client has in recent years become a world sector leader.

Audit is a high profile function within the group and is well backed at Board level. Following the promotion of the present Head of Audit who will be taking up a senior international line financial management position, a top-flight successor is now being sought. Reporting to the main board Finance Director, the successful candidate will manage some forty staff through five regional managers and a computer audit manager.

The brief will be to develop audit strategy, manage a budget of £1.4m and maintain a high quality operational audit approach. Additionally, it will entail personal involvement in investigations of a particularly sensitive or complex nature and the management of change in an evolving audit function.

Candidates should be chartered accountants with a minimum of five years' post qualification audit experience ideally gained in a major corporate environment. Additional experience in line finance would be an advantage. The successful applicant will be someone with maturity, vision and strategic commercial awareness, able to lead and motivate a large team and communicate at the highest level with tact and authority.

This is a demanding appointment requiring regular travel in the UK and internationally. It brings with it the opportunity for career development into more senior roles within the group. It also carries a negotiable remuneration package including bonus, and a prestige car. The Group will be flexible as to location; you may choose to work from the London HQ or from one of a number of regional centres around the UK.

To apply please write with full CV and current salary package to Paul Carvosso, Ref: A54D09, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

CAYMAN ISLANDS GOVERNMENT

The Cayman Islands Public Service Commission invites applicants for the position of:

ACCOUNTANT GENERAL

The successful applicant will be the head of the Treasury Department of the Cayman Islands Government and the principal accounting advisor to the Financial Secretary. Responsibilities will include the compilation and supervision of the Government's accounts, the management of accounting operations and procedures, and ensuring that regulations, directions and instructions provided for under the Public Finance and Audit Law, in respect of the safe custody and accounting of public funds, are complied with.

The successful candidate will possess excellent proven managerial and interpersonal skills, a full professional Accounting qualification and have at least seven years of relevant senior management experience in Public Accounting.

The appointment is on contract for two years in the first instance with an option to seek renewal. The tax free salary is in the range C\$ 52,000-59,000 per annum (C\$ 1 = US\$ 1.20). Benefits include air passages, free medical care and a baggage allowance.

Application form and further information is available from: The Cayman Islands Government Office, Trevor House, 100 Brompton Road, London SW3 1EX, Tel: 071 823 7613. Closing date for receipt of applications is 8 April 1994

NOKIA

TELECOMMUNICATIONS

UK CONTROLLER

Substantial Package - Huntingdon

THE COMPANY You will have the opportunity to join the fast expanding telecoms division of a world leader in the development and application of digital technology to switching, transmission, and cellular systems.

THE ROLE Based at Huntingdon, you will work closely with UK and Finnish senior management, contributing proactively to the continuing rapid growth of the UK entity.

THE REQUIREMENT First degree plus ACA, or ACMA. Progressive track record in a manufacturing environment followed by controllership duties in a multi-national company. You will be at home in a competence based, non-hierarchical culture. You will display the maturity, resilience and enthusiasm to fit quickly into a fast moving management team.

Boyden International Limited
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You should write enclosing a resume together with current remuneration details and daytime/evening telephone contact numbers, quoting reference 403/B on both envelope and letter, to the address below:

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Business school winner fails SEC test

Richard Waters on why the wider use of restructuring charges in the US is meeting opposition

What is the difference between restructuring a company, and investing to make it more competitive in the future? What exactly is "business process re-engineering", the latest fad idea to sweep out of the business schools and take hold of corporate America?

For accountants in the US these days, and for investors grappling with the financial statements of some of the country's biggest companies, these questions are of more than academic interest.

They are also likely to become of far greater importance elsewhere around the world in the years to come, as other major economies follow the US out of recession.

Substantial restructuring charges have been taken by many big US companies in recent months. They reflect a clearing of the corporate decks, as companies position themselves for a new period of growth. Such charges, often running into billions of dollars, also serve a useful accounting purpose.

By reporting the charges now, in some cases wiping out current period earnings altogether, companies are able to bring forward costs which they may not actually incur for several years to come. The effect: to produce a more flattering profits trend in future.

It is an issue which has vaulted to the top of this list of concerns of accounting regulators in the US. The Securities and Exchange Commission, which for months has been murmuring its disquiet about the fashion for

big restructuring charges, wrote last month to around 60 companies which had reported such items. The regulatory body warned that it will scrutinise these charges carefully when the companies file their next annual 10-K reports.

The SEC clearly feels the whole process is open to abuse. "It looks as if some companies are including in the restructuring charges the costs of ordinary operations - for example advertising, legal settlements and the like," says Mr Walter Schuetz, the agency's chief accountant.

"It may be some of these are ordinary, on-going, necessary, day-to-day costs."

Borden, a troubled foods group, this week became the first public target of the SEC's new assault on the area. Bowing to pressure from the regulators, it said it had reversed \$265m of a 1992 restructuring charge. Part of these costs were reclassified as normal business costs in 1992, part were carried over into 1993.

Proposed by the SEC, the Financial Accounting Standards Board has also put the subject on the agenda for its Emerging Issues Task Force. This body was due to consider the matter at its meeting today.

Finding an answer will not be easy. There is general agreement that some future costs should be recorded at once; if an asset's value has been impaired, for instance, or if a company faces a clear liability in future.

But where do you draw the line? The main accounting literature governing this area, contained in FAS 5 on accounting for contingencies, offers

scant help. This states that costs should be booked at once if they are "probable" and "reasonably estimable".

How far should this principle be stretched? On the strictest interpretation, even the costs of a big redundancy programme would not meet this test, says Mr Michael Conway, head of the professional practice department at KPMG Peat Marwick. Yet the expected costs of laying off workers, in some cases as part of a process stretching three years or more into the future, are a common feature of many restructuring charges.

Other costs that increasingly appear under the general heading of restructuring charges look still more questionable. Costs associated with repositioning a product or retraining workers are becoming more common, says Mr Conway.

Auditors, with little clear guidance as to fall back on, are understandably concerned. How can they resist a particular company's proposed accounting treatment, particularly if clients of other audit firms have already adopted it?

Restructuring costs generally fall into two types. In the first, a struggling company changes its senior management. The new chief executive moves quickly to shake up the organisation, selling off underperforming businesses, cutting costs and laying off workers, reorganising the businesses that are left. The company takes a big restructuring charge

to cover the costs of the whole process.

The biggest example of this last year was IBM's \$8.9bn charge to cover one of the US's biggest-ever corporate restructurings. IBM - which stated it was not among the companies to receive a letter from the SEC, "to the best of our knowledge" - said \$5m of the cost was to cover reductions in its workforce, while the rest was to meet reductions in manufacturing capacity and excess space.

In the second type of restructuring, an existing management team decides it needs to act radically to make itself more competitive. This usually happens in a mature, low-growth industry - banking, say, or the provision of telephone services. The company rethinks how it carries out its most basic activities, in the process simplifying its business processes and eliminating layers of management, an approach which these days goes under the all-embracing term "re-engineering".

Should these costs also be grouped under the general heading of restructuring charges? The issue clearly causes concern in some quarters. "I don't know what re-engineering means - it's a fashionable concept," said Mr Schuetz at the SEC.

Recent charges taken by three US "Baby Bells" (regional telephone companies) illustrate the dilemma. Between them, Nynex, Pacific Telesis and Bell South reported charges totalling nearly \$3bn for the fourth quarter of last year.

Pacific Telesis said its \$576m of charges reflected an intention to cut

10,000 jobs over the next three years, and what it called "process re-engineering", though it gave little detail.

Nynex, based in New York, said that \$400m of its \$1.6bn of charges was earmarked to cover costs associated with the company's "efforts to fundamentally re-engineer the way it delivers services to its customers, including operation by its telephone companies as a single enterprise under the 'Nynex' brand". Amongst other things, the company said its charges would meet the costs of "retraining employees, relocation expenses [and] systems re-engineering".

Included in Bell South's \$1.2bn of charges were similar-sounding costs. Some \$550m of the cost "is related to implementing new, state-of-art systems", it said. Announcing the charges, Mr John Clendenin, chairman and chief executive, was quoted in a press release issued by the company as saying: "We're changing the way we do business. We're speeding up our service efforts, investing in new systems, and just making it easier for our customers to deal with us."

Can these really be termed restructuring charges? The pace of technological change means that many companies face bigger and more frequent spending on new equipment, shorter product cycles and constant organisational upheaval.

How long will it be before accountants find a better way for companies' accounts to reflect this new business reality?

FINANCIAL TIMES FRIDAY MARCH 25 1994

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For further information please contact Marka Bown on 071 404 3155.

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Quote Reference: DIR/51R

We need someone with good all round knowledge of financial matters; experience of preparing management accounts, statutory accounts for audit, analysing financial data, budgeting and cash-flow management, making financial presentations to a variety of audiences, analysing and interpreting organisational policy, supervising the work of others; and an appreciation of the charitable sector and of the requirements of Charity Law with an imaginative flair for managing resources to satisfy both. As a member of our Directorate you will need to have an interest in the development of the overall policies of LVSC and work in such a way as to assist the Director carry out LVSC's policies and responsibilities.

LVSC as an Equal Opportunities Employer welcomes applications from all parts of the community particularly from groups that traditionally face discrimination or disadvantage.

The post is funded by the London Boroughs Grants Committee.

Closing date: 22 April 1994

For job description and application form contact:
The Personnel Officer, LVSC, 356 Holloway Road,
London N7 6PA Tel: 071-708-8114

BRITISH VIRGIN ISLANDS

We have the following vacancy in our Tortola office

QUALIFIED ACCOUNTANT / CORPORATE ADMINISTRATOR

The position would best suit a qualified accountant (ACA/ACCA) with at least 3 years post-qualification experience.

The appointment will include responsibility for the management and training of our administration teams who cover both pre-incorporation and post-incorporation work. Applicants should be computer literate, be able to administer a growing portfolio of client cases, and have wide background knowledge of offshore financial administration which will enable them to communicate effectively with professional advisers and their clients.

The Advertiser is a major financial services group, with a network of Trust/Company Management offices in various offshore centres. We offer an attractive remuneration package which includes non-contributory pension and health schemes.

Applications, including a full C.V. should be addressed to:

Box B2311, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCE DIRECTOR

OPPORTUNITY TO CREATE AND DEVELOP THE FINANCIAL STRATEGY FOR A NEW HOUSING ASSOCIATION

SALARY RANGE C £37K-£42K PLUS CAR

MID BEDS

This new Housing Association offers an exciting challenge to professionals wishing to be part of our development as a major provider of affordable rented housing in mid-Beds. With the full support of our existing tenants in some 3,000 homes, we are aiming to provide the highest quality social housing service for them and for our prospective tenants. We need staff with a commitment to excellence and the vision and enthusiasm to achieve our objectives.

The Finance Director will be an important member of our corporate management team, responsible for the planning and implementation of the Association's financial strategy to ensure that we maximise our opportunities for growth and maintain our objectives on service delivery. Key areas of the job will include high-level advice on funding for new schemes, the achievement of financial targets, the effective implementation of IT systems for the whole Association and management of a small team.

Candidates should be qualified accountants with several years' experience at a senior level. A relocation package will be available. For further information or a job package, please telephone Margaret Nichols, telephone 0767 313137 ext. 224.

Please apply by letter enclosing a full CV to: Mr Tim Eastaff, Chief Executive, Mid Beds Housing Association, The Limes, 12 Dunstable Street, Ampthill, Beds MK45 2JU.

The closing date for applications is 7th April and the first interviews will be held on 15th April.



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Insurance

Assistant General Manager - Finance

Eastbourne
c.£40,000

Ansva is a worldwide mutual insurance group for those who abstain from alcohol. The UK company has been established for more than thirty years and is based in Eastbourne. It is a general insurer with a premium income of c.£13 million.

Responsibilities include the overall control of the accounting, finance and company secretarial functions and participation in the senior management team.

Candidates must be qualified accountants and preferably aged under 45. They should possess the management skills and personal potential to enable them to play a part in the continued expansion and profitability of the company and to justify promotion into general management in a few years. The company only employs non-drinkers. An attractive salary package (including car and subsidised mortgage) will be negotiated.

Please apply to: Sir Timothy Hoare, Career Plan Ltd, 33 John's Mews, London, WC1N 2NS.
Tel: 071-242 5775. Fax: 071-831 7623.



Personnel Consultants

APPOINTMENTS WANTED

SECURITIES ANALYST

with extensive experience in research and marketing to U.S.

Institutional Investors for American and European brokerage operations seeks

Marketing, Consulting or Editing assignment with continental broker.

Excellent writing skills, fluent in French and German.

Dunn Smith, 43 Hasbrouk Place, Rutherford, NJ 07070 U.S.

Tel. 201 438-6435

FINANCE DIRECTOR

Fast growing, international electronics firm seeks a strong manager with demonstrated, hands-on performance in forecasting, financing, cash and risk management, and accounting for a £10mm-£25mm company.

Post CV salary history and expectations to Box B2316, Financial Times, One Southwark Bridge, London SE1 9HL



FINANCE AND ACCOUNTING AT CRANFIELD

Due to the dynamic expansion of our activities in degree programmes, research and particularly short executive programmes, Cranfield School of Management is seeking to expand and develop its Finance and Accounting Group at all levels including at Professional level. Prospective candidates may come from either academic or business backgrounds, those from academia should be able to demonstrate a strong track record in research and publications, while those from business should have a career progression leading to a senior financial management position. All candidates should be experienced across the range of financial management and accounting but should be able to demonstrate specialism in one or more of the following areas:

- FINANCIAL STRATEGY
- STRATEGIC MANAGEMENT ACCOUNTING
- INTERNATIONAL FINANCE
- GLOBAL FINANCIAL SERVICES
- STRATEGIC BRAND MANAGEMENT
- TREASURY MANAGEMENT

If you wish to discuss in confidence the opportunities, please contact Professor Keith Ward, Head of the Finance and Accounting Group, on 44 (0) 234-78360. Formal applications are invited in writing addressed to the Personnel Department, Cranfield University, Cranfield, Bedford, MK43 0AL, England, quoting reference 40578/FT.

SCHOOL OF MANAGEMENT

FINANCIAL MANAGER

BERKELEY BUREAU GAMING PERSONNEL

Our client, an International Casino operator have a vacancy for a Financial Manager in their Budapest office in Hungary.

Applicants must have experience in international banking tax payroll, company accounts and be computer literate. In addition the person will probably be aged 30 to 45 years of age, with formal accountancy qualifications.

The company will offer a negotiable salary, health insurance, accommodation and flights.

Please send C.V. and photo to Box B2310, Financial Times, One Southwark Bridge, London SE1 9HL

FORENSIC ACCOUNTANT

LITIGATION SUPPORT

C £30K + benefits + City

Campos & Stratis is a leading international accounting firm dedicated to supporting litigation solicitors through the investigation and measurement of damages and the provision of expert consultation. We have built an enviable reputation throughout the legal and insurance sectors and seek an outstanding ACA who will contribute to our growth in this challenging field.

The successful applicant will specialise in investigative accounting and litigation support, be based in the City and enjoy travel. No conventional audit nor tax work will be involved. Assignments are varied and interesting and will enable you to hone your analytical, professional and communication skills. Initially you will work on joint assignments, but you will quickly be given every opportunity to develop your knowledge base and will ultimately be involved in the development of future work for the international practice.

Accountants with initiative and flair, with no taste for the humdrum, who are conversant in a European language and eager to develop their professional skills, should send their CV to:

Tony Levitt
Campos & Stratis
17 Devonshire Square,
London EC2M 4SQ
(Strictly no agencies)



Excellent package +
stock options + benefits

PICTURETEL

Thames Valley

European Finance Director

One of the fastest growing companies in the US today, PictureTel Corporation (turnover c. \$200m) is the world leader in video conferencing and has as its mission 'to redefine the way the world meets'. PictureTel supplies the full range of video communications products to blue-chip customers world-wide and has recently launched a new range of PC video conferencing products. Ambitious expansion plans for the Europe/MEA Region have led to this new appointment, a highly strategic and commercial role with real opportunity to influence the performance and direction of a dynamic, international business.

THE ROLE

- Responsible to the VP/EMEA for ensuring the finance function helps drive the business forward, optimising MIS and financial management disciplines across the region.
- Manage a team of functional reports from seven European subsidiaries and offices. Provide effective financial control and reporting systems, including US GAAP and local tax and treasury, liaising with US HQ.
- Key member of the strategic management team, providing financial input to the budgeting and planning process, ensuring a proper balance is kept between overhead and growth.

THE QUALIFICATIONS

- Graduate, qualified accountant, with minimum five years' successful track record in a European role within a multi-site, preferably US owned, international business.
- Fluency in more than one European language desirable. Background likely to be in IT communications or broader service company with experience of developing and implementing MIS in a fast-paced, growth environment.
- Capable of advising on broader commercial issues with the impact and maturity to gain respect both at US parent level and across the European businesses. Good people manager, able to prioritise and delegate effectively.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ltd, 10000000,
14 Connaught Place,
London W1 2ED

Finance Director

Housing Association c.£35,000+car loan

Our client, a London based housing association, currently controls around 400 residential units which are either rented or under development. The organisation has a business objective of providing high quality housing for minority communities primarily and is now in the process of widening this scope with rapid growth forecast over the next 5 years.

In addition to routine financial and management accounting, the role will focus on providing strategic and financial advice and management information to the Managing Director and the Board, particularly in respect of treasury and fund raising, cash flow and risk management. The incumbent will also lead on IT issues throughout the organisation.

The ideal candidate must be a qualified accountant who has gained a wide range of financial experience within the private sector, housing association or health authority. In addition, the ability to communicate easily at all levels combined with strong interpersonal and business skills is essential.

Please send full career and remuneration details including telephone contact numbers and quoting reference KFD001 to Stephen Fletcher at the address below.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

The best there is...

Chartered Accountants with commercial experience

London Competitive Salaries

KPMG Peat Marwick is widely recognised as one of the world's leading accountancy and management consultancy firms. As we continue to build on our strong market position we have developed a strong 'added value' culture and pride ourselves on being the best there is. Nowhere is this more apparent than in our property and construction sector where we are currently seeking talented Chartered Accountants. Some of the people we seek will join at manager level and will possess an innate business awareness and bring far more than the normal accounting function to our clients' activities. Hard won commercial experience in the property and construction fields, combined with the ability to contribute across the entire spectrum, from audits and financial investigations through to financial management consulting projects, is essential.

We are looking for an unusually high degree of commitment and the communicative abilities needed to run sizeable projects within a truly multi-disciplinary environment. Ideally aged between 29 and 32, the successful candidates will be strategic thinkers who have an outstanding track record that demonstrates 'people skills' and a commitment to the client service ethic.

We are also seeking recently qualified accountants with approximately 2 years' experience and some exposure to the sector. We offer excellent career development prospects and a high degree of responsibility and client involvement at an early stage.

A highly attractive salary will be supported by a generous benefits package. To apply, send full career details including current remuneration to Rachal Gray, HR Manager for the Construction and Property Group, KPMG Peat Marwick, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE, quoting Ref: 2403FT.

KPMG Peat Marwick

European Financial Director

North West

c £45,000 + Bonus + Car

Our client is a £20m turnover European Division of a US Corporation engaged in the manufacture of electronic materials principally for use in the computer industry. They have production facilities in the UK and France and seek to appoint a Finance Director to assist in the profitable development of their European Operations.

Reporting to the US Controller, you will assume responsibility for all financial and management reporting including statutory/legal compliance, treasury management and the further development of management information systems. You will be a key member of a closely knit management team and will be expected to provide strong financial leadership and commercial support.

Candidates will be qualified accountants with sound managerial experience who can demonstrate a strong costing/management accounting background within a sophisticated manufacturing environment and who are prepared to give strong support to operational management. Well developed interpersonal skills along with a high degree of personal presence and maturity will be essential in order to make a significant contribution to the future success of the business.

Language ability in French is essential.

Interested candidates should forward their curriculum vitae to Stephen K Banks, ACMA, Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ quoting reference 181808.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leamington Birmingham
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Resourcing**Group Financial Controller**

WEST LONDON

Our client has gained a substantial international presence as a specialist computer support organisation. Enjoying exceptional and profitable growth, the Group has built a worldwide network by the effective combination of technical leadership, service innovation and dedicated management.

Reporting to the Group Finance Director, you will take responsibility for ensuring the accurate and timely reporting and analysis of financial and management information from UK and overseas subsidiary organisations. An early challenge will be the further development of accounting functions within overseas operations, which will include the implementation of Group-wide procedures and some staff training.

A graduate Chartered Accountant, ideally in your late 20s, you should have obtained at least two years' post-qualifying

experience in a market-led, strongly commercial business environment. You must be able to demonstrate high professional standards and personal computing capabilities in addition to well developed technical skills. As a 'hands-on' and enthusiastic person, you should possess the appropriate interpersonal skills and personality to manage and withstand the rigours of a complex business enjoying dramatic growth and change.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading, Berkshire RG1 1JG, quoting reference AE992 on both envelope and letter.

Product Analysis & Support - City

Exceptional Qualified Accountant £ Excellent Package

NatWest Markets holds a pre-eminent position in the world of corporate and investment banking. Comprised of nine highly successful businesses, our activities cover trading, corporate banking, asset management and specialist advice. We employ over 5,300 staff across 32 locations in 14 countries, supported by assets of £50 billion. NatWest Markets combines expertise with exceptional strength, energy and ambition - a unique combination which is reflected in our continuous record of growth and success.

Our expansion has created a role within the middle office trading support function of the Securities Division. You will take responsibility for identifying the risks, proposing accounting policies and the periodic reporting for a discrete team of equity/derivative traders. In particular, the position covers the control and assessment of ongoing and proposed business strategies. You must also possess the technical skills and the supervisory experience necessary to motivate and lead a small team and the confidence to liaise effectively with trading, taxation, legal and operations personnel.

Probably aged 26-32, you will be a qualified accountant with at least two years post-qualification experience of a banking environment. A significant proportion of this time must have been spent within a product control function. Alternatively, you may be working within Public Practice and have extensive exposure to financial markets. Strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines will be essential. This high profile role will also require the competence to deal with senior management and to provide innovative solutions to business problems as they arise.

For further information, please contact our advising consultants, Guy Townsend or Brian Hamill of Walker Hamill Ltd on 071 287 6285. Alternatively, forward a brief resume to their London office at 29-30 Kingly Street, London, W1R 5LB, quoting reference GT712. All direct responses will be forwarded to Walker Hamill.



NATWEST MARKETS
Corporate & Investment Banking

FINANCE AND ADMINISTRATION DIRECTOR

INFLUENCING AND IMPLEMENTING CHANGE

London
c.£55,000 + benefits

This new appointment occurs within a complex, international accounting authority. A professional, regulatory and examining body whose well-developed commercial interests include education, training, publishing and consultancy, it is undergoing a major process of change at a time of significant development and opportunity in the UK and overseas.

A member of the senior executive team and playing a policy- and decision-making role in the overall direction and general management of the organisation, you will be responsible to the Chief Executive for the management of the finance, accounts, quality, HR, IT and administration functions.

Meeting the needs of internal committees and facilitating better communications with members are key result areas. This demanding yet stimulating position, which is of fundamental importance to the organisation achieving its objectives, will appeal to professionally qualified financial managers with strong technical skills gained in the public or private sector. Financial control experience in a medium-sized operation, demonstrable success in developing and implementing computerised systems, and broad administrative and management experience are mandatory for a position requiring excellent communication skills, political acumen and personal stature.

To apply, please send full career details, indicating current remuneration, to John Patrick, Ref: 6173/JPT/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

PA Consulting Group

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FINANCE MANAGER

London Competitive Package

HSBC Asset Management is the global investment advisory and money management business of the HSBC Group, one of the world's largest banking and financial services organisations. With over US\$30 billion of assets under management worldwide, HSBC Asset Management has fund management teams in London, New York, Hong Kong, Tokyo and Melbourne. It manages assets on behalf of companies and institutions as well as for individuals through its unit trusts and mutual funds.

Beside regulatory & statutory financial accounting and management accounting, the broad scope of this new role covers the design and development of management information and analysis for the institutional business. In addition, you will co-manage the implementation of a new General Ledger accounting system and interface both with HSBC departments and external parties.

Not less than 5 years' post-qualification experience in a commercial environment, in which your team leadership qualities have been proven, will have prepared you for the challenge of the brief. Solid skills in statutory, regulatory and in-house management reporting are, of course, essential, and you should also have knowledge of Lotus spreadsheets and macros. Your understanding of accounting systems will be key to your success with the general ledger project.

We offer an attractive salary, together with excellent benefits including company car, mortgage subsidy, BUPA and a company pension.

Please send your cv, quoting current remuneration package, to Morag Forbes, HSBC Asset Management Limited, 7 Devonshire Square, London EC2M 4HU.



HSBC Asset Management Limited

Member HSBC Group

International Financial Services

ACAs - City Based

£27-35,000 + Banking Benefits

Our client is one of the world's leading international banking groups whose worldwide activities span an extensive range of financial services. As part of the Head Office function, a high profile team of professionals has responsibility for reviewing and evaluating the conduct, management and control of business risk in the Group's Treasury and Capital Markets activities on a global basis.

Expansion of the Group's Treasury business has created opportunities for three new members to join the team. Successful candidates will be high calibre, graduate ACAs with up to three years' post-qualifying experience in audit and are likely to have gained experience in financial services through training with a leading accountancy firm.

Interested candidates should write to Janet Bullock at BBM Associates Ltd at 76 Watling Street, London EC4M 9BJ quoting Ref 275 and enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be handled in the strictest of confidence.

76, Watling Street, London EC4M 9BJ



Tel: 071-248 3653 Fax: 071-248 2814

You must be able to demonstrate academic and professional achievement, analytical abilities, a high level of technical competence and strong interpersonal skills. Working in a fast-moving, demanding environment, you must have the willingness to work hard and the desire to develop your business knowledge and technical skills. Also important is the desire to travel as, although based in London, you will spend up to 45% of your time overseas, conducting reviews in the world's major financial centres.

These challenging roles will provide a high level of exposure to senior management throughout the Group and will offer ambitious accountants excellent opportunities for career progression.

MANCHESTER & SALFORD INTERNAL AUDIT CONSORTIUM



Director of Audit

The Consortium which was formed in 1991 by the Universities of Manchester, Salford and Manchester Metropolitan wishes to recruit a Director to assume responsibility for the management of a full range of internal audits.

The Consortium has established a strong reputation for professionalism within the Universities and it has developed relationships with the Universities external auditors and Central Government Agencies.

The role of Director is a challenging and demanding one, requiring considerable professional and managerial skill and strong communication abilities.

In addition to planning and overseeing the activities of 12 professional staff the successful candidate will maintain strong links with the executives and Audit Committees of the three Universities. The Consortium has expanded since its inception as a result of growth within the Universities and most recently by the award of a 3 year contract to provide internal audit services to UMIST. Further strong growth from within the Universities and potential external clients is anticipated.

The remuneration package will be negotiable but it will not be less than £35,000 per annum.

Applications, in the candidates own style, to include current position and salary, and the names of three referees, one of whom must be current employer, should be submitted in confidence to The Manchester Metropolitan University, who will provide further particulars on request.

Candidates who submitted applications in response to earlier advertisements need not re-apply because these applications will be re-considered.

Please submit your application by 15 April 1994 to: Mrs Susan Rutherford, Personnel Manager, The Manchester Metropolitan University, All Saints, Manchester M15 6BH. Tel: 061 275 3300.

Outstanding MBA/ACA - International Consumer Brands Plc

Corporate Finance Executive

Aged c.27-30

c.£40,000 + Car + Profit Share

London

Our Client is an international market leader engaged in the production, marketing and distribution of premium branded consumer products, offering excellent career development opportunities for those who can demonstrate real management potential.

Internal development moves have created a need for an exceptional individual to join its small head office Corporate Finance team, which provides guidance in the planning, project management and execution of worldwide strategic M&A activities.

You will be involved in managing all aspects of acquisitions, disposals, investment and joint venture proposals. In particular, you will provide: sound analysis and recommendations for approval by the Group Board; advice and technical support to

divisions on valuations, due diligence requirements, negotiations and contractual documentation; support, co-ordination and liaison with internal specialists and external advisers. You will also be engaged in ad hoc corporate planning projects.

Suitable applicants will be graduates, MBAs or qualified accountants with previous business development or corporate finance experience, ideally gained in industry/commerce, or within the profession or City. In addition to project management experience, you will have highly developed analytical skills and, critically, strong written and verbal communication abilities.

You should write enclosing a resume together with current remuneration details and daytime/evening telephone contact numbers, quoting reference 403/A on both envelope and letter, to the address below.

Chryssaphes Flammiger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DP.

ACCOUNTANT

C £21,000

OXFORD



As a qualified or part qualified Accountant you will be involved in developing and managing cost effective financial services for our Marketing Division. Your major challenge will be to improve our performance and financial results by revitalising our financial reporting and management information systems. You must have considerable experience in management accounting as well as being skilled in financial and quantitative business evaluation. Your proven analytical ability and knowledge of computerised financial services should be combined with excellent team orientation and communication skills. For further details and an application form please send a large SAE quoting reference number 2218/HO to Human Resources Department, Marketing Division, Oxtam UK, 274 Banbury Road, Oxford OX2 7DZ. Closing date: 20th April 1994. Interview date: 28th April 1994. Oxtam UK works with poor people in their struggle against hunger, disease, exploitation and poverty in Africa, Asia, Latin America and the Middle East through relief, development, research and public education. OXFAMUK is striving to be an equal opportunities employer.

Head of Tax

International Business Sector of a Multi-billion PLC

West Country £50,000 upwards plus substantial benefits

The opportunity to be part of a strong management team, with specific responsibility for running the worldwide tax affairs of the largest sector of a UK based PLC, is a serious proposition. This is particularly true when the PLC is multi-national, its turnover is measured in billions and this sector is responsible for over 50% of that turnover. Ultimately reporting to the Group Director of Taxation based in London, the emphasis will be upon providing management with tax planning advice of a superior quality and the minimisation of the effective group and sector rates of tax.

Tax management is regarded as front line and proactive by the organisation and the appointee will be required to forge strong links between the sector and its head office initiating change where necessary and promoting best practice at all times. He or she should adopt an open management style encouraging participation from all finance and business managers to ensure that all tax related matters are effectively dealt with. Credibility with this tier of staff is key to the success of the appointment and great emphasis is placed on the need to appoint an individual who can be respected at all levels, possesses self-confidence, is a contributor, a team player and is totally approachable.

Technically, the job requires a 'heavyweight' practitioner whose experience lies in industry or the profession. He or she will need an international outlook although the work also encompasses 'nuts and bolts' UK taxation (PAYE, VAT, corporation tax etc.). He or she must be able to view tax from a strategic standpoint.

We are interested in hearing from individuals at the younger end of the spectrum (30+) who are confident that they possess the potential required for this role. Equally those in their mid 40's with relevant experience are also encouraged to apply.

Above all the organisation requires an achiever of exceptional calibre and if you feel that you can meet the demands of this role please apply in writing, enclosing full career and salary details, quoting reference A0270 to Anna Ponton at the address below.



Selection & Search

1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

AMP BUSINESS PLANNING MANAGER

Bucks

£30,000-£35,000 plus car

AMP Incorporated is a \$3.5 billion global operation - the world leader in the design and manufacture of the electrical and electronic interconnection systems which are at the heart of a vast range of products used in most spheres of modern day life. We have an impressive growth record which is set to continue with the creation of Strategic Businesses in related components and value added assemblies. There are nine such enterprises already, including high speed cable, fibre optics, and piezo-electric film sensors.

At our European HQ in Stoke Poges, we have a small, highly dedicated team that is leading the Strategic Businesses thrust into Europe. We currently have an opportunity for a Business and Financial Planning specialist to join this team and support the Vice President in meeting aggressive growth targets. The key responsibilities include:

- Financial and business planning for individual businesses.
- The assessment of development opportunities, including acquisitions.
- The development of management reporting systems and the preparation of consolidated financial reports.
- Monitoring business performance.

- Contributing to all major business decisions relating to the European Strategic Business initiative.

The ideal candidate will be a qualified accountant with around 10 years' broad based experience gained in the electronics industry or a related high tech environment. Strong analytical talents, computer literacy, natural business acumen and excellent communicative skills are essential, as is a well organised approach and the ability to work with a high degree of autonomy. The position entails a significant level of travel within Europe and the USA, and a second European language would be an advantage.

In return, we offer a particularly challenging opportunity worthy of the finest business talents. We also offer the opportunity for personal growth in the fastest developing area of our business together with a quality car and the kind of benefits one would expect of a major global company.

To apply, please write with your CV, detailing how you meet the above requirements, to: Richard Fereday, Company Human Resources Manager, AMP of Great Britain Limited, Merion Avenue, Stanmore, Middlesex HA7 4RS.

General Manager

South Yorkshire Up to £40,000 + car + benefits

Opportunity in general management for a commercially aware finance professional

Our client is a well established, privately-owned company involved in the wholesaling of farm machinery, with sales of c£10 million. Allied to a German company which manufactures a well-known range of agricultural and ground care products, the company is set for continued profitable growth and now seeks a General Manager based at its main UK site.

The key requirement will be to provide accurate financial and management information for the company and to assume full day-to-day operational responsibility for the site, as well as instigating new controls and procedures to enable strong management of the business. It will also involve managing 12 staff and working closely with the Managing Director on the strategy and future direction of the company.

Applicants will have a blue-chip manufacturing or distribution background, with a sound understanding and experience of modern financial and management reporting systems and controls. Aged c35, a graduate and qualified Accountant, you must have strong financial and business skills together with a natural commercial instinct and the ability to manage and motivate a diverse team.

Career prospects are excellent with this market leader; indeed, the potential to progress further is an important prerequisite. Applicants should write, enclosing full career and salary details, quoting reference B/467/94, to David Gibbs.



Selection & Search

Pearl House, 3 Cornwell Street, Birmingham B3 2DL

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Gareth Jones

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071 873 3779

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FINANCIAL / MANAGEMENT ACCOUNTANT

LTCB International Limited is a wholly-owned securities and investment banking subsidiary of The Long-Term Credit Bank of Japan, Limited, one of the largest banks in the world.

An opportunity has arisen for a qualified accountant with banking/securities experience to join the management team of our Accounts Department. Responsibilities will include the daily operation of all aspects of accounting, management information, taxation, Bank of England regulatory reporting and project management.

Candidates should ideally have had 2/3 years' post-qualification experience, have good PC skills and be sufficiently flexible to work in a fast-moving and challenging environment.

Applicants should send a comprehensive Curriculum Vitae and details of their current remuneration package to:

Vivien Karam, Associate Director - Personnel, LTCB International Limited, Alban Gate, 125 London Wall, LONDON EC2Y 5AH. Fax: 071-614 9880



LTCB International Limited